Austria Sch.22	Indonesia ... Rp 3100	Portugal ... Esc.100
Bahrain ... Din.0.650	Israel ...... NS 3.50	S.Arabia ... Rls 6.00
Belgium BFr.48	Italy .... L 1600	Singapore ... S$ 4.10
Canada ...... C$1.00	Japan Y600	Spain .... Pta 125
Cyprus ...... C£0.75	Jordan Fils.500	Sri Lanka ... Rup 30
Denmark ... DKr.9.00	Kuwait Fils.500	Sweden .... SKr 8.00
Egypt .... E£2.25	Lebanon ... SL 50.00	Switzerland. SFr2.20
Finland ... Fmk.7.00	Luxembourg . LFr.48	Taiwan ...... NT $65
France FFr.6.50	Malaysia ... Rm 4.25	Thailand ..... Bht 50
Germany ... DM2.20	Mexico Pes.300	Tunisia ... Din 0.800
Greece ...... Dr 100	Morocco ..... Dh 6.00	Turkey L500
Hong Kong... HK$ 12	Netherlands.. Fl 3.00	U.A.E. ...... Dh 6.50
India .... Rup 15	Norway Nkr.7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,278 Tuesday July 7 1987 D 8523 A

The Soviet economic motor changes gear, Page 2

World News

North to break 'Irangate' silence

Lt-Col Oliver North, central character in the Iran-Contra scandal, was due to break seven months of silence and tell his version of the 'Irangate' affair which has crippled Ronald Reagan's presidency.

Previous witnesses have said he ran a "government within a government" with its own mini-army, air force, diplomatic agents, intelligence operatives and fund raisers.Page 24

Nato base 'sabotage'

Saboteurs broke into a Canadian Nato base in Lahr, West Germany, and exploded a bomb by remote control, causing damage estimated at $1m.

Cash limit attacked

West Germany said new limits imposed by East Germany on the amount of foreign exchange its citizens can take on West German visits violated the 1975 Helsinki Accords on co-operation in Europe.

Jordanian protest

Jordan said it would complain to the United Nations about a new Israeli plan to pump water from the occupied West Bank to Jerusalem and Jewish settlements.

S African police raid

Two hundred South African police dropped from helicopters and sealed off a black residential district near Durban in an attempt to halt preparations for tribal fighting and search for stolen goods, police said. Blacks form party, Page 4

Brazilian wage study

The Brazilian Government, apprehensive about outbreaks of social unrest, was considering an increase in the minimum wage of $45 a month, official sources said.

Haiti strike resumes

Haitians resumed a general strike - after a weekend break to allow for shopping - as the Government and some opposition leaders indicated they wanted talks to defuse the crisis and avert anarchy. Page 4

Lebanon food plea

Lebanon asked the World Food Programme to help feed 1.25m needy Lebanese.

Madrid bomb blast

An Iranian diplomat was wounded in Madrid when a bomb ripped through his official car as he checked underneath it for explosives.

French roads toll

A total of 118 people died on French roads at the weekend which marked the start of the French summer holiday season. A further 2,264 people were injured.

Trees for Bangladesh

Bangladesh launched a $134m five-year afforestation plan intended to save crops and lives from floods and cyclones and overcome chronic drought in the country's north.

Angola clash

Unita rebels in Angola said they had halted a heavily-guarded military convoy of more than 300 vehicles and shot down a support aircraft near Cuito Cuanavale, killing 36 government troops and 12 Cubans and destroying 23 vehicles. Debt strategy, Page 4

Cocaine ring broken

A West German who eluded capture for 14 years by undergoing repeated face surgery was among 13 people arrested when Europe's biggest cocaine smuggling ring was broken up in a police operation involving West Germany, Britain and the US.

Deliveries scratched

Postmen refused to handle contaminated mail when fleas infested a sorting office in Gorizia, northern Italy.

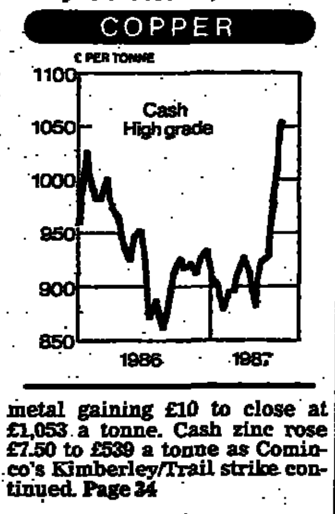
Business Summary

Rand and ore grades boost SA mine group

GOLD FIELDS OF SOUTH AFRICA overcame the effects of sharply higher unit costs in the quarter to June in its larger mines, thanks to higher rand-denominated gold prices and at least sustained gold recovery grades. Wage increases for white and black miners pushed costs up 6.5 per cent quarter-on-quarter. Total gold production increased to 31,453 kg from 30,865 kg, the average gold price received rose to R28,664 per kg from R27,371 and the total revenue from gold sales was R903m ($440m) against the March quarter's R846m. Page 25

COPPER rose further on the London Metal Exchange on steady US demand, with cash

COPPER



metal gaining £10 to close at £1,053 a tonne. Cash zinc rose £7.50 to £539 a tonne as Cominco's Kimberley/Trail strike continued. Page 34

DOLLAR rose in London to Y149.10 (Y148.80); to SFr 1.5325 (SFr 1.5300); but was unchanged at DM 1.8400 and FFr 6.1275. On Bank of England figures the dollar's index rose to 103.1 from 102.8. Page 35

STERLING rose in London to $1.6195 ($1.6100); to DM 2.98 (DM 2.9625); to FFr 9.9225 (FFr 9.8650); to SFr 2.4825 (SFr 2.4625); and to Y241.50 (Y239.50). The pound's exchange rate index rose to 72.8 (72.5). Page 35

GOLD fell $1.25 on the London bullion market to close at $443. In Zürich it also fell to $443.75 ($444.30). Page 34

WALL STREET: the Dow Jones industrial average closed down 7.17 at 2,429.53. Page 46

TOKYO: Broad-based selling pulled the Nikkei average below 24,000 in Tokyo yesterday for the first time in about a month to close down 287.66 at 23,870.86. Page 46

LONDON: Equities chalked up another substantial gain as the firm pound and UK bond market fuelled optimism. The FT-SE 100 index jumped 23.8 to 2,351.9 and the FT Ordinary index was up 12.3 at 1,830.8. Gilts gained up to 1 1/4. Page 46

HAPAG-LLOYD, West German shipping and travel group, said freight shipping business, which accounts for 65 per cent of turnover, unlikely to recover in short-term, but growing contribution from the tourism division would keep the group in profit this year. Page 26

FRIED KRUPP, West German steel and engineering group, reported virtually unchanged consolidated net profits of DM126m ($68.8m) compared with DM124m in 1985. Earnings in current year are expected to deteriorate because of worsening prospects for the steel sector. Page 26

BERLINER Handels-und Frankfurter Bank reported higher operating profits for the parent bank, including trading on the bank's own account, in the first five months of this year, as a result of an increase in own-account trading earnings from currencies and securities. Page 26

AMEV, second largest Dutch insurance company, is to bid about F125m ($60m) for the remaining shares of Bilbao Group, Spanish insurer specialising in life and damage insurance. Amev controlled 56 per cent of the firm at the end of 1986. Bilbao Group's 1987 turnover estimated at Pta 15.5bn ($121.8m). Page 26

Reagan proposes end to agricultural trade subsidies

BY STEWART FLEMING IN WASHINGTON AND WILLIAM DULLFORCE IN GENEVA

THE US yesterday unveiled a sweeping proposal to abolish worldwide all forms of state support for farm production. President Ronald Reagan described it as the most ambitious proposal for the reform of agricultural trade ever offered.

The US paper, presented in Geneva to the group negotiating on agriculture in the trade-liberalising round of the General Agreement on Tariffs and Trade (Gatt), put forward a three-pronged approach.

All subsidies affecting trade in farm produce would be eliminated over 10 years. Import barriers would be dismantled over the same period. Health regulations governing farm goods would be harmonised to internationally agreed standards.

Mr Daniel Amstutz, undersecretary in the US Department of Agriculture, who presented the proposal, stressed that all three components had to be dealt with simultaneously.

In addition, to prevent the unloading of huge existing surplus stocks during the transition period, the US proposed that the quantities of farm produce currently marketed with the help of export subsidies should be frozen at their present levels and gradually phased out over the 10 years.

Australia and Argentina, farm-exporting countries, welcomed this first detailed scheme for agricultural reform submitted to the negotiating group.

Clayton Yuetter, US Special Trade Representative

The European Community, the most reluctant of the major farm traders to address the issue, will respond today.

Mr Clayton Yeutter, the US Trade Representative, said that there were two exceptions to the President's proposal to seek an end to agricultural subsidies. One was foreign aid food programmes such as the Food for Peace scheme and the other was the income support for farmers which was totally divorced from production.

By this he said the Adminis / tration meant financial assistance which was not related to production levels or production incentives such as payments to small farmers aimed at boosting their income to encourage them to stay on the land.

Mr Yeutter cited the dramatic escalation in the costs of farm support programmes in industrial countries as demonstrating the urgent need for reform of agricultural trade. US tax payers would spend $25bn this year to support farmers and another $6bn would be transferred to them through programmes which maintained consumer prices above world levels. EC taxpayers would spend $26bn and consumer transfers would be more than $40bn.

Many would agree with Mr Yeutter's comment that 'we are in what is almost a crisis worldwide in terms of the distortions' in international farm trade. But there are doubts about whether reforms can be introduced at the pace the US seems to want and about whether the US itself can deliver a sweeping farm reform programme, particularly now that President Reagan has only another 18 months in office.

The Administration's decision to give the farm trade proposals such a high profile is seen in part as an effort to head off protectionist pressures on Capitol Hill where Congress is debating major trade policy reforms. The perception that foreign unfair farm trade practices is damaging US agriculture is widespread on Capitol Hill

Background, Page 4

EC to probe compact disc 'dumping' by Japanese

BY TIM DICKSON IN BRUSSELS

THE European Commission is launching an investigation into the possible dumping of Japanese and South Korean compact disc players and into Japanese dynamic random access memories (Drams), a type of semiconductor chip. The decision, announced yesterday, is likely to intensify trade friction between Europe and Japan.

The inquiries, which could lead to the imposition of anti dumping duties, follow complaints of unfair competition from leading European manufacturers. They come hard on the heels of the disclosure in April of similar probes into alleged dumping of another type of chip, known as Eproms, and into computer printers originating from Japan.

The Commission estimates that Japanese and Korean compact disc players account for about two thirds of the European market, compared with roughly half in 1984. The value of imports from the two countries was estimated at $400m to $450m in last year.

The complaint, which draws attention to "considerable" dumping margins, alleges that while the EC market has expanded twelvefold between 1984 and 1986, Japanese and Korean exports to member states have multiplied 16 times.

The prices of the Far Eastern products, it is claimed, have typically been between 13 and 60 per cent lower than those of Community producers and have continued to fall over the past few months with the result that the profitability and financial resources of EC manufacturers have been hit.

Philips, of the Netherlands, is by far the Community's biggest producer of compact disc players, with Grundig, of West German, and Bang & Olufsen, of Denmark, the other major companies in the market. Japanese exporters include Hitachi, Kenwood, and Matsushita.

The allegation against Japanese manufacturers of Drams - among them Fujitsu, NEC and Toshiba - is that their products are being sold in Europe at "below production costs."

EC figures indicate that Japanese producers control 95 per cent of the European market, which is already worth $575m so far this year compared with just over $400m in the whole of 1986.

The Commission denies that there is a fundamental contradiction in its decision to investigate the apparently low price of a product which many European companies use as a vital raw material.

Britain expects to reap extra £1.75bn through privatisation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE UK Government looks set to overshoot its £5bn ($8bn) target for receipts from its privatisation programme in the current 1987/88 financial year by up to £1.75bn ($2.8bn).

The likelihood of a large overshoot was acknowledged in Whitehall yesterday as Mr Norman Lamont, the Financial Secretary to the Treasury, hinted that future privatisation proceeds would be boosted by the sale of the Government's remaining shareholding in British Telecom.

Mr Lamont, speaking at a conference in London, said that the Government had not decided on the timing of a disposal of its £8.8bn holding in BT, but noted that it would be free to sell it from next April.

The rise in stock market values behind the prospective overshoot in receipts this year is welcome news for the Government and for taxpayers, but it comes at an awkward time for the Treasury.

It has strengthened expectations that the official target for the public sector borrowing requirement will be undershot in 1987/88 for the second consecutive year.

The target was lowered from £7bn to £4bn in last March's budget, but the overall bouyancy of the economy and further strong increases in tax revenues suggest even the lower figure may turn out to be an overestimate. It is still too early for the Treasury to make an accurate forecast of the PSBR outturn, but its latest, unpublished, projections of the economic outlook are thought to point to an undershoot.

The problem for the Treasury is that the favourable financial outlook is likely to encourage spending ministers to redouble their efforts to secure extra financial resources in the current round of public spending negotiations.

Mr John Major, the newly-appointed Chief Secretary to the Treasury, has indicated that he will defend the £154.2bn spending target for 1988/89 set in the January White Paper. Because of higher-than-expected inflation, however, that total represents a slight fall in the volume of spending.

Within the overall figure, the plans suggest a significant fall in spending on defence, an effective freeze for health and social services, a fractional cut in social security spending, and an increase of less than 0.5 per cent for education. They also make no allowance for a range of commitments made in the run-up to the election, nor for a likely rise in contributions to the European Community.

Government departments are believed to have submitted extra bids totalling several billion pounds. Some of these demands will be whittled down and others will be met from a £5bn reserve, but there is strong speculation in Whitehall that the

Continued on Page 24

High-flying carpet cleaners ground whizzzzkid

By Anatole Kaletsky in New York

ONE OF THE strangest fortunes created by the current boom in the US financial markets collapsed in ignominy yesterday with the bankruptcy of ZZZZ Best, the carpet-cleaning company which made its 21-year old founder, Mr Barry Minkow, perhaps the youngest man ever to be worth $100m.

The company, which earlier this year had been among the highest-flying new issues launched on the US stockmarkets, said yesterday that it was filing for Chapter 11 bankruptcy protection after discovering "facts which appear to substantiate allegations of fraud" and "possible misappropriation of significant assets."

Mr Minkow resigned as chairman and president early last month, citing "severe medical problems" after the US Securities & Exchange Commission launched an official investigation into his company's operations.

Mr Minkow founded ZZZZ Best at the age of 15 with equipment borrowed from a shop managed by his mother, declaring that he would create "the General Motors of the carpet-cleaning business".

His company was floated last December at a price of $4 per share, for a market valuation of more than $40m. In just four months, the shares quadrupled in value to $18.75 when Mr Minkow announced a $25m deal to buy a lucrative Sears Roebuck carpet-cleaning franchise, Flagship Services, which had been owned by Northern Foods of Britain.

At its peak ZZZZ Best, whose last full-year profits had been $945,645, was valued at around $200m. At this point, Mr Minkow's 52 per cent stake had a paper worth of $103m.

Soon after the Flagship deal was announced, however, the company was overwhelmed by allegations of fraudulent credit-card charging by some of its employees. The financing of the Flagship deal was undermined almost immediately, setting off a collapse in the share price and a chain reaction of financial problems.

By yesterday, the apparent misappropriation of corporate funds had "substantially depleted the company's liquid assets" and "adversely affected its ability to operate," ZZZZ Best's new management said.

The shares were trading at $3/4 to $7/8 after the bankruptcy filing. At this price Mr Minkow's fortune, which was first said to be worth $1m when he had just turned 18, still had a paper worth of $4m.

US fighters patrol Gulf as talks start

BY OUR MIDDLE EAST STAFF IN LONDON

THE US HAS increased its military activity in the Gulf as American and Soviet officials met in Geneva yesterday to review diplomatic efforts to end the six-and-a-half year war between Iran and Iraq.

US Navy fighters patrolled the airspace over the Straits of Hormuz at the entrance to the Gulf to protect shipping against possible Iranian attack.

There were reports that US naval vessels had entered an "exclusion zone" in the northern Gulf declared by Iraq around Iran's giant Kharg Island oil terminal, scene of repeated Iraqi airstrikes.

Increased American military activity in the Gulf coincides with preparations for the US to provide naval escorts for Kuwaiti tankers flying the "Stars and Stripes."

This heightened military activity in the Gulf came as details emerged yesterday of an attack which took place last Friday near the Strait of Hormuz by Iranians in five rubber dinghies on a Spanish 313.467-tonne supertanker, the Santa Maria.

Mr Richard Murphy, the US Assistant Secretary of State for Middle East Affairs, met Mr Vladimir Polyakov, head of the Soviet Foreign Ministry's Middle East Department, in Geneva, apparently to discuss a United Nations Security Council resolution on the Gulf War and proposals for an international Middle East peace conference.

The five permanent Security Council are said to have agreed on the main elements of a resolution. These would call for an immediate ceasefire, withdrawal to international borders, an exchange of prisoners, an agreement to set up a neutral body that would determine responsibility for the conflict, and the outlines of an international post-war reconstruction project.

The US is having difficulty, however, persuading fellow Security Council members to endorse an arms embargo on whichever side rejects the ceasefire

A Soviet call for all foreign warships to be withdrawn from the Gulf may also have figured in the Murphy-Poliakov discussions. The Russians on Friday condemned the build-up of US naval vessels in the region.

Moscow, however, in an official Tass news agency despatch, claimed its warships had a legitimate interest in the region because the Soviet Union bordered Iran.

Mr Howard Baker, the White House chief of staff, said the US would reconsider its plans to increase its naval presence in the gulf if the Soviet Union also withdrew.

"If the Soviets will remove theirs, perhaps we'll take a fresh look," Mr Baker said,"but we're certainly not going to cede control of that region to the Soviet Union."

A report from Bahrain, quoting shipping sources, said yesterday a guided missile frigate, the USS Reid, had been sighted within the 112 km exclusion zone around Kharg island

The US, whose normal complement of warships in the area amounts to six, is in the process of building up its presence to at least nine vessels in the Gulf. It is also moving a battleship into the Gulf of Oman to monitor Iranian shore poositions near Iran's major port of Bandar Abbas on the Straits of Hormuz.

Editorial comment, Page 22

Seoul frees 177 and considers amnesty

BY MAGGIE FORD IN SEOUL

THE SOUTH KOREAN authorities yesterday promised to restore the civil rights of Mr Kim Dae Jung, the opposition leader, within the next 10 days. The promise came as the government released 177 political prisoners, including the vice-president of the main opposition party.

The Government said it plans to release a further 300 prisoners in the next few days. The cases of 2,000 other detainees are being reviewed in advance of general amnesty.

The release of the 177 prisoners follows a weekend of protests accusing the Government of dragging its feet and insincerity over its proposals for democratic reform in response to the mounting opposition across the country.

The plan to move towards increased co-operation and compromise between the ruling Democratic Justice Party and the opposition was introduced by Mr Roh Tae Woo, chairman of the DJP, last Monday and was

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ELECTING A CHAMPION TO FIGHT THE WORLD FOOD CRISIS

Edouard Saouma looks set to continue as head of the UN's Food and Agriculture Organisation, despite opposition from the biggest Western contributors, Page 3

EUROPEAN NEWS

Patrick Cockburn reports from Moscow on the prospect of far-reaching changes ushered in by the central committee's decisions

Soviet economic motor changes up a gear

THE FINAL decision of the Soviet Communist Party to break with the system of a centrally administered economy devised by Stalin in the 1930s came with surprising ease after two years of debate and growing criticism of present economic management.

The 307 top Soviet officials who make up the party's central committee also heard on June 25 and 26 that the piecemeal reforms introduced over the past 12 months were having very limited impact on the economy.

Instead, Mr Mikhail Gorbachev put forward a coherent framework for economic change to be introduced over the next three years to be in place for the start of the five-year plan in 1991.

In his three-hour speech he argued that complete direction of the economy from the centre might have been necessary to build heavy industry in a peasant country 50 years ago. But today ministries in Moscow are manifestly incapable of directing the day-to-day activities of every Soviet enterprise.

Describing the Soviet economy as having reached a pre-crisis situation, Mr Gorbachev said the most alarming consequence of this was that the Soviet Union had dropped behind the West in technology and the efficient use of resources. The system had been kept going only by massive exports of oil and other raw materials to make up for the basic inefficiency of the economy.

Mr Gorbachev also left no doubt about what the Soviet Union should do about this. Democratic centralism, the core of Lenin's concept of Soviet government, needed to become much less centralised and more democratic, he said. The main question was "how to create even more powerful stimuli than under capitalism for economic, scientific, technological and social progress."

It is the patent failure to compete successfully with the West in any of these areas over the past 15 years which played a key role in making Mr Gorbachev general secretary of the Communist Party in 1985, though many party leaders who supported him then expected reforms of a far less radical nature.

In many respects Mr Gorbachev's attitude to Soviet socialism today has a parallel with President Roosevelt's towards American capitalism in the 1930s. The Soviet leader, like President Roosevelt, is saying to his political establishment that if its members want their method of running society to stay in business at all then they must accept a new deal.

Again like the US in the 1930s, many conservative members of the central committee go along with Mr Gorbachev because they cannot think what else to do and they know that doing nothing could be very risky indeed.

Mr Gorbachev said the Soviet Union had fallen behind the West in technology and the efficient use of resources. The system had only been kept going by massive exports of oil and other raw materials to make up for the basic inefficiency of the economy.

The new deal proposed by Mr Gorbachev is very radical indeed. At present, if the manager of one Soviet enterprise wants to obtain a product from another, he must obtain a piece of paper from the appropriate ministry or central government organ in Moscow to do so. All the day-to-day activities of enterprises are administered from above.

By 1991 this will all have changed. Authority will be devolved downwards. Enterprises will decide independently most of their inputs and outputs through wholesale trade at prices reflecting supply and demand. At the same time, the role of Gosplan, Gossnab, which is in charge of supplies, and some 50 industrial ministries will be sharply reduced.

Nor are the changes purely economic. Political and economic leadership are welded more closely together in the Soviet Union than they are in the West, so economic decentralisation should automatically reduce the ability of the top ranks of the party to monopolise political power.

Advocates of reform in Moscow seem surprised by the extent of their victory. The central committee's final decision reads like a compendium of the ideas of radical Soviet economists. A symbol of this is that the press conference at the end of the meeting was given by Dr Abel Agenbegyan, not a central committee member, but for 20 years the most prominent and cogent of academic reformers.

Such changes could not have occurred a year ago. Although Mr Gorbachev became leader partly on the strength of his vague reputation as a supporter of economic reform it was never clear what this really amounted to. In his past as a provincial administrator in the grain lands of southern Russia and then as the party expert on agriculture, there was little to suggest that he would seek to change the system as a whole.

As recently as the summer of 1986 it was easy to find senior officials such as Mr Vladimir Glushkov, the head of the State Committee for Prices, saying that they saw no reason for more than a little tinkering with the price system. Given that the key element of reform is to allow the enterprise to set its own prices at a level reflecting supply and demand—a right essential to financial independence—the policies of men like Mr Glushkov blocked all real managerial change.

There was a committee on reform set up under Mr Nikolai Talyzin, the head of Gosplan, which co-ordinated the activities of 26 working groups of academics and senior managers producing plans for change in different areas of the economy. These reported last summer, but Soviet economists say that it was only after Mr Nikolai Slyunkov became head of economic administration in the party secretariat at the beginning of 1987 and told the groups to prepare radical proposals that these reports began to turn into policies.

Mr Gorbachev (front right) confers with Politburo colleagues at the meeting

At the same time, it was evident that piecemeal reforms were getting nowhere. New regulations were introduced over the past 12 months permitting 21 ministries and 75 enterprises to trade abroad, individuals to work for themselves or form co-operatives as second jobs, joint ventures to be set up with foreign companies and industrial and agricultural enterprises to receive more rights. But all found that they were still at the mercy of the centre.

For this reason Mr Gorbachev and others now see curbing the power of the central economic administration as a precondition for devolving authority to smaller economic units.

Day-to-day management will be in the hands of the enterprise. By 1991 it will engage in wholesale and retail trade to meet its needs and sell its products. It will be able to go bankrupt—a fate deserved by several thousand companies, according to Dr Agenbegyan—and the Government will in general stop keeping unprofitable enterprises going with the profits of profitable enterprises.

But this will be true of only part of the economy. For if the June central committee meeting saw a victory of the reformers, it also saw a historic compromise on the part of the central organs of government.

At the centre of this compromise are state orders. In the transition to wholesale trade the state will order goods, in theory through competitive bidding, from enterprises. At first this will account for some 60 per cent of business though this should drop to 25-30 per cent, Dr Agenbegyan estimates.

This part of the economy will continue to be run by Gosplan and Gossnab. State orders will become the main source of supply for the armed forces, always fearful they would lose their priority position in a Soviet economy in which allocation of resources by decree plays a reduced role.

The other key area during the transition period over the next three years will be prices. This is also the politically most sensitive part of the reforms and it is difficulties in handling prices which have thwarted reforms in Poland.

It is on this topic also that the documents outlining the main guidelines for reforms produced by the central committee meeting are at their vaguest. Not only do price changes have a politically explosive potential but the situation is complicated because a number of problems need to be solved simultaneously.

Unfortunately for the Kremlin Mr Glushkov and his predecessors ran the Soviet price system very badly. A commitment to keep the basic cost of living low became an obsession, with the price of foodstuffs, accommodation, transport and other basics never changing. A system introduced to cope with shortages produced shortages because suppliers had no incentive to raise output or quality. Increased demand is reflected in longer queues not higher price tags.

Mr Gorbachev also pointed out in his speech to the central committee that the price of energy and raw materials was too low to encourage efficiency in the use of either.

In both cases it makes sense to raise prices. The difficulty is that this would require a whole new system of state prices to be worked out at the very moment when many enterprises should be planning to shift to wholesale prices.

The latter change will only start in theree year and could take 10 years to complete. In theory, the state enterprise law comes into effect from the start of 1988, as will the reduction in the authority of central organs, but real financial independence must wait upon the switch to supply by trade rather than injunction in 1990-91.

For quick returns during the transition period the best chance for Mr Gorbachev is likely to be the introduction of limited private and co-operative enterprise on the margins of the economy in agriculture and services. This could produce a quick boost to output while the heavy industrial core of the economy will take longer to respond to change.

All these are difficulties Mr Gorbachev will have to face over the next few years. "Economists are terrible on transitions—they tell you to go from A to B, but they can't tell you if you'll fall off a cliff on the way," remarked a specialist on the Soviet economy last week.

But, whatever the nature of the cliffs, the Soviet Union is now committed to an agenda and time-scale for the transformation of the way its economy has been managed for more than 50 years.

Reins of central control slacken

STATE ENTERPRISES: The June central committee meeting approved a law giving individual enterprises the right to greater financial and managerial independence from the beginning of 1988. At present, the day-to-day activities of an enterprise, including all its inputs and outputs, are controlled by the centre.

GOSPLAN, GOSSNAB AND THE MINISTRIES: Gosplan (state planning committee) works out the overall economic inputs and outputs. Some 50 industrial ministries determine activities of enterprises whose supplies and deliveries depend on decisions by the state supplies committee (Gossnab) which allocates goods.

From start of the next five year plan in 1991, Gosplan is to play a supervisory rather than administrative role. Gossnab is to shift "from centralised allocation of material resources and the attachment of users and producers to wholesale trade in capital goods," according to the central committee. Ministries are to be reduced in number and authority.

STATE COMMITTEE FOR PRICES: At present it determines all Soviet wholesale and retail prices. Heavily criticised for the failure of prices to reflect demand so enterprises have no incentive to produce better quality goods or introduce new technology. The aim is to increase contract prices from 1991, continue state control of basics such as food and energy but raise them to give a better balance between supply and demand.

STATE COMMITTEE FOR LABOUR: There is already a labour market for the 155m-strong workforce but the aim is to increase differentials between skilled and unskilled workers, and to raise the pay of the technically qualified. Over the past 25 years differentials have fallen, leading to poor incentives for the skilled.

STATE ORDERS: Contracts between government and enterprise are to play a key role in the transition from central command to contracts between enterprises. Gosplan, Gossnab and the ministries will continue to oversee this part of the economy, including defence industries and major public projects.

FINANCE AND CREDIT: Today an allocation voucher is more important than money to an enterprise. Loans and profits will matter more as there is a progressive shift towards the market in which goods are bought and sold rather than allocated by the centre. Credit is to become more expensive. Specialised banks may be established for agriculture and services.

The reforms which it became too risky not to undertake

THE ABILITY to introduce economic reforms has been the key test of the political strength of Communist governments in the Soviet Union, Eastern Europe and China over the past 25 years.

The real reason why Mr Leonid Brezhnev allowed the management of the Soviet economy to ossify after he came to power in 1964 was that he wanted economic development but without political risks.

This explains the progressive distortion of the economy as the central government bodies proved unable to administer the day to day actions of every enterprise in the Soviet Union from steel plants in the Urals to tomato-growers in the Ukraine.

Economic reform was inevitable once Mr Brezhnev and his generation began to die off. Even conservative party officials could see that something had to be done to deal with what Mr Mikhail Gorbachev calls "a precrisis situation."

Less predictable, however, was that the central committee meeting in June should produce a programme for radical economic change which aims to dismantle much of system of central economic administration. Also surprising is that political change should accompany, and to some extent precede, economic reform.

This is in sharp contrast to Hungary and in Poland where the government introduced economic reforms partly to avert political change. Political developments in the Soviet Union over the past two years alos differ from those in China where economic reforms have received primacy since the late 1970s.

Nevertheless, the fundamental reason why the politburo and the 307 top Soviet officials who are members of the central committee, most of whom rose to high rank under Mr Brezhnev, agreed to try to transform the system they run is a sense that it would be extremely risky not to do so.

Mr Gorbachev said repeatedly during his speech that the Soviet Union was failing to compete with the West in technology or productivity. It is also failing to meet the needs of its own citizens for foodstuffs and consumer goods.

The victory of the Soviet leader was underlined by the appointment of three new and diluting resistance to Mr Gorbachev. The promotion of Mr Alexander Yakovlev, Mr Nikolai Slyunkov and Mr Viktor Nikonov to full politburo membership is also important because all three are secretaries of the Communist party in charge respectively of propaganda, economic administration and agriculture.

All three men have owed their rapid promotion over the past two years to Mr Gorbachev. Their appointment also confirms a trend for the party secretariat to become stronger at the expense of both government ministries and central administrative bodies in Moscow and major party leaders in the provinces.

Long-serving party bosses commanding powerful political machines—and often resembling Mayor Daley of Chicago—have been major losers since 1985. Mr Grigory Romanov, formerly party chief in Leningrad, Mr Victor Grishin of Moscow, and Mr Dinmukhamed Kunaev of Kazakhstan have all been removed from the politburo.

Elsewhere in the politburo, central committee and the senior ranks of the party and government, Mr Gorbachev has been chopping away at his opponents. One of the most important of them, Mr Geidar Aliyev, is seriously ill and was not at the central committee meeting. The only leader of a major political machine to survive at the top is Mr Vladimir Shcherbitsky of the Ukraine.

The Soviet version of Tamanny Hall, developed by Mr Brezhnev to give all major interests a cut of the cake, first came under attack from his successor Mr Yuri Andropov in 1982, flagged under Mr Konstantin Chernenko in 1984-85, and resumed with vigour when Mr Gorbachev came to power.

But the most important change in Soviet political rules came in late summer last year members of the politburo, bringing its numbers up to 14 when Mr Gorbachev started to emphasise political rather than economic change. At the same time greater freedom of expression, or *glasnost* in Russian, made senior officials, hitherto invulnerable, targets for press attacks.

Greater freedom of expression in the press over the past year has played a crucial role in tipping the balance from piecemeal to radical reform. If debate on the economy had been confined to the top ranks of party and state then incremental change, despite its failure to produce results, would have continued.

Economic reform, if it works, also has major benefits for local party leaders who make up a third of the central committee. For instance, a party first secretary in charge of an *oblast*, as the districts into which the Soviet Union is divided are called, will have more leeway to run the local economy if Moscow's control over investment, housing and services is relaxed. His gains in authority here outweigh irritation at greater criticism from the local newspaper.

Similarly the armed forces resent their reduced influence over Soviet security policy and possibly their reduced priority in the allocation of resources, but they also stand to gain if the technological level of Soviet industry can be raised.

Mr Gorbachev's strongest political card in the economic reform debate over the past two years has been a consensus that change must come and risks have to be taken. It is this feeling which produced an agenda and a time-scale for radical reform in June and is likely to ensure that it will be implemented.

The real challenge to political and economic reform is likely to come—as in China—when it has achieved enough to alleviate Mr Gorbachev's pre-crisis situation and begins to impinge on the political monopoly of the Communist party.

FORMER CHANCELLOR QUESTIONS LONG-STANDING OFFICIAL POLICY

Schmidt calls for E German recognition

BY DAVID MARSH IN BONN

MR HELMUT SCHMIDT, the former West German Chancellor, has come out in favour of normalising relations between East and West Germany by acknowledging East German independence and allowing more travel between the two countries.

Mr Schmidt, in an interview, indicated some important differences with official Bonn policy on East Berlin when he said that "East Germany has been recognised as an independent state" by West Germany.

His comments were made before the latest tightening of East German foreign travel restrictions which sparked off criticism in Bonn at the weekend. The tightening follows a sharp rise in the number of East Germans of below pensionable age allowed to make short term trips to the West last year. A total of 573,000 were permitted to make family visits to West Germany last year, according to East Berlin figures, adding up to a drain on East German currency reserves.

Over the delicate question of links between the two states, Mr Schmidt said West Germany's representative in East Berlin amounted to an ambassador.

"We have an ambassador there. We only call him state secretary. That's the only difference. These names don't really matter much."

Mr Schmidt's comments make him the most senior West German figure to question the official line, taken by all governments in the Federal Republic since 1949, that West and East Germany are the same nation. This follows calls by other members of the Social Democratic Party (SPD) during the past few months for Bonn to adapt its position on the question of German reunification.

Mr Schmidt remains a member of the SPD even though he no longer plays a direct part in its politics. The SPD's recent calls for Bonn to lower the priority of seeking eventual reunification in favour of trying to ease conditions for people living in East Germany has attracted protests from the German right.

Conservatives say this would add up to recognising formally East Germany's separation from the West and renouncing East Germans' claims to West German nationality.

Mr Schmidt said that the real question in East-West German relations was "the fear of the East German politburo that if they give too much freedom to travel to their people, they might not come back. They have tried it, in the last couple of years . . . they have largely liberated the inhibitions of travelling. And I think up to 99 per cent of the people have come back."

Mr Schmidt said he told Mr Erich Honecker, the East German leader, when he met him in East Germany six years ago that the East Germans should follow the Hungarian example of liberalising travel to the West.

"All the Hungarians come back. There is a more liberal atmosphere in Budapest than there is in East Berlin so far," he said.

Mr Schmidt said Mr Honecker in 1981 was very reluctant to follow this advice.

Schmidt: more travel

Bonn angered by East German travel 'barrier'

BY LESLIE COLITT IN BERLIN

THE WEST GERMAN Government criticised East Germany sharply yesterday for erecting a "serious barrier" to travel by East Germans to the West by lowering the amount of D-Marks they can purchase in the East.

Since July 1 East Germans have only been allowed to exchange Marks 15 (£5) into an equal number of D-Marks for trips to the West. East Germans below retirement age who were previously permitted to visit the West under an agreement on "urgent family matters" were permitted to exchange up to Marks 70 into D-Marks.

West Germany's Minister of Inner German Relations, Mrs Dorothee Wilms, said West Germany would ask the East German authorities for an explanation of the reduction. She called freedom to travel a "basic human right."

East Germany last year opened the gates wider for its citizens to visit relatives in the West and allowed 573,000 East Germans below retirement age to travel to West Germany. This year an estimated 1m younger East Germans are expected to be allowed to visit relatives and friends in the West under the visiting agreement. Another 1.6m East German pensioners regularly visit West Germany each year. The East German visitors are entitled to DM 30 "welcome" money twice annually from the Bonn Government. In addition, West Berlin and some West German states pay an added DM 20.

West German officials expressed fears that the new currency restrictions would inhibit visits by East Germans to the West. West Berlin's mayor, Mr Eberhard Diepgen, said the East German move was a "setback" in efforts to obtain greater freedom of movement for East Germans. Both German states he said must find a way to maintain the flow of visits by East Germans. "Real or supposed" foreign exchange problems, he noted, should not stand in the way.

It was estimated that East Germany would have had to spend about DM 160m this year in hard currency for visits to the West. Its annual intake in hard currency from West Germany, however, is about DM 2.5bn, mostly connected with services provided to West Berlin.

In 1980, East Germany tripled the amount of money westerners had to exchange into East German marks in order to visit the East. This led to a sharp drop in the number of West German and West Berlin visitors which has never wholly recovered.

● For the first time in years East Germany fell well short of its economic growth target in the first six months of the year. National income—equal to gross national product minus services—rose by 3 per cent compared with a target of 4.5 per cent.

Industrial production rose by 4 per cent as against a target of 4.6 per cent. No reason was given for the relatively poor performance, but East Germany had severe problems during an extremely harsh winter. Growth picked up, however, in recent months and was 4 per cent in June.

Chernobyl officials go on trial

THREE OFFICIALS charged with triggering history's worst nuclear accident by their negligence go on trial today in the town of Chernobyl, within the evacuated danger zone around the power plant where they worked, AP reports from Kiev.

Chernobyl's former director, chief engineer and deputy chief engineer are accused of failing adequately to prepare and supervise experiments that caused a massive explosion and fire in a 1,000 Mw reactor on April 26 last year.

Radioactivity poured from the gutted number 4 unit following the blast. Thirty-one people died and more than 200 others suffered acute radiation sickness from a cloud of radioactivity that ultimately reached around the world.

Former head of Chernobyl Vikter P. Bryukhanov, ex-chief engineer Nikolai M. Fomin, and his assistant Anatoly S. Dyatlov, have been jailed for a year while the causes of the disaster were investigated.

Officials in the Ukraine have said the three face up to 12 years in prison if found guilty of the criminal negligence they are accused of.

Their trial, to which a limited number of foreign reporters have been invited, is clearly linked to Soviet leader Mr Mikhail Gorbachev's campaign to hold all officials publicly accountable for their actions.

Bulgaria flirts with private enterprise

BY JUDY DEMPSEY IN VIENNA

THE BULGARIAN seaside resort of Varna begins this month a small but important economic experiment, which, if successful, could mean the gradual weakening of the state control over taxis, small restaurants and the services sector of the economy.

Consumers on the Black Sea coast will now have the choice of two taxi services—the state-controlled taxi ranks and the new co-operative taxis.

The state-run taxi services are largely inefficient and difficult to get, with the drivers often more content to wait outside the new Sheraton hotel in Sofia for visiting businessman

The legislation of co-operative taxis might now remedy the taxi shortage and the poor services. The new taxis will be identified with a special sign and will be fitted with meters so that the customer will not be subjected to arbitrary charges.

The Bulgarian authorities, however, are still cautious about any sanctioning of the private economy and have insisted that the taxis can only operate for up to four hours a day. The co-operative taxis will also charge the same price as the state-run taxis. Those who take up the new profession will have priority when it comes to buying petrol, oil and spare parts.

The new legislation, even though a bit half-hearted, stems from the recent "private labour decree" which was adopted by the Bulgarian Council of Ministers last month. The decree allows individuals to set up, in their spare time, small workshops in state enterprises. Under the terms of a contract between the enterprise and the individual or groups of individuals, people will be able to run small retail shops, cafes, and even small restaurants, a much-needed service along the Black Sea and in the capital, Sofia. These activities will be carefully monitored and controlled by state bodies, enterprises and other economic organisations to ensure that a private economy does not take root.

Bulgarians wishing to embark on such activities, have been warned that exploitation in any form is forbidden. Unlike Mr Mikhail Gorbachev's ideas about supporting privately-earned incomes, the Bulgarian authorities have ruled out any harbouring of income.

Duarte on Bonn visit

THE WEST GERMAN Foreign Minister Mr Hans-Dietrich Genscher, has called for closer ties between Western Europe and Central America during a meeting with El Salvador's President Jose Napoleon Duarte, AP reports from Bonn.

He told Mr Duarte that European Community countries could help strengthen the independence of Central American nations and boost their economic development, thus helping stabilise democracy in the region, according to a statement. The two met on Sunday, on the first day of Mr Duarte's four-day official visit

France opens debate on joint force with West Germany

FRANCE SET ground rules for a proposed joint Franco-West German fighting unit yesterday as senior officers from both countries met in Paris to discuss ways to step up military co-operation, Reuter reports.

Mr André Giraud, French Defence Minister, said the brigade must be outside the nitegrated Nato command structure and should be covered by France's independent nuclear umbrella.

"The question now is to how to use this unit, because we cannot envisage putting French soldiers in a position where they would not be covered by some level of nuclear deterrence," he added.

Mr Girand was addressing the opening session of a five-day seminar of French and West German officers, the first such meeting to discuss ways to integrate their armed forces further.

The French minister also repeated his strong reservations on superpower disarmament moves, saying the scrapping of nuclear weapons in Europe would not alone bolster peace.

"There can be no security in Europe unless conventional defence is linked to nuclear deterrence," he declared.

Mr Giraud, a supporter of nuclear weapons, said disarmament should begin with the Soviet bloc reducing its conventional forces and scrapping its chemical weapons.

Chancellor Helmut Kohl of West Germany proposed the joint brigade on June 19 in a move aimed at boosting Western Europe's contribution to the alliance.

President Francois Mitterrand welcomes the idea, but says the link-up poses major problems.

On nuclear deterrence, France has an independent nuclear strike force including battlefield weapons, while West Germany is banned by its constitution from possessing atomic weapons.

Mr Giraud, addressing the issue of who should comand the unit, said it would be separate from the Nato structure but could still operate with alliance forces.

"It would not be subordinated to the integrated structure and thus would show its European character."

Mr Giraud noted later that France still plays a prominent role in Nato. "What we do not want is for our forces to be under an American general," he said.

France and West Germany already have close military ties and their first joint manoeuvres took place last year. In September, France's Rapid Action Force will take part in a second exercise.

West German industrial output up ½% in May

BY HAIG SIMONIAN IN FRANKFURT

INDUSTRIAL production in West Germany went up by a seasonally adjusted 0.5 per cent in May, according to official figures released yesterday.

The result, though well down on the 3.5 per cent rise recorded in April, was better than expected, and conflicts slightly with bearish forecasts of little more than 1 per cent growth for the West German economy this year.

Electricity and gas supply rose sharply by 6 per cent in May, while manufactured goods production was 1 per cent higher. The figures for consumer goods production were seen as particularly strong, while the pace of investment goods manufacture was also maintained. By contrast, mining production fell by 3.5 per cent, while building was 1.5 per cent lower.

The May figure had been expected to be well down on that for April, when production picked up sharply after the harsh winter.

The 0.5 per cent rise in May, if maintained, suggests the economy is likely to reach the 1.5 per cent gross national product growth target forecast by most analysts for the year, though the Federal Government is still sticking to a figure nearer 2 per cent. Its growth forecast has already been revised downwards from 2.5 per cent at the beginning of the year.

However, last week's news of a surprise 0.9 per cent increase in June unemployment figures suggests the pace of industrial production will not be maintained in June.

"Unemployment is a good co-incident indicator," said one analyst, and the June rise was "almost unimaginable," giving a clear sign of an overall weakening in the country's economy.

Industrial output in the European Community fell 1.9 per cent in April compared with a year earlier, confirming a sluggish growth trend for the EC early this year, figures published by the statistical office, Eurostat, shewed.

Eurostat said the figures are msleading because the Easter holiday fell in March last year, instead of April as is normal. But it added in a commentary that industrial output probably rose by no more than 0.5 per cent in the first four months of 1987 compared with a year earlier.

Turkey hits back over Cyprus proposal

By Robert Mauthner

THE Turkish Foreign Minister, Mr Vahit Halefoglu, yesterday criticised the call by an influential group of British MPs that any further consideration of Turkey's application for membership of the European Community should be frozen until significant progress was made towards a settlement of the Cyprus problem.

Mr Halefoglu, who was speaking at a luncheon of the Diplomatic and Commonwealth Writers' Association in London, said that linking the two problems would not facilitate a Cyprus solution. "The Cyprus problem is already difficult enough as it is," he said.

The minister was referring to a report on Cyprus, published last week by the House of Commons Foreign Affairs Committee, which also suggested that, "as an earnest of goodwill," Turkey should make an immediate and substantial reduction in its military forces based in Cyprus.

Turkish troops were in Cyprus on the basis of international agreements, Mr Halefoglu claimed. Their role was to keep peace and to ensure the security of the Turkish community. What the Committee was asking Turkey to do was to take a risk without any kind of guarantee. Turkey was prepared to reduce its military presence on the island, but only as part of an overall settlement, such as the one put forward by Mr Javier Perez de Cuellar, the United Nations Secretary-General.

Mr Halefogul also rejected suggestions that the restoration of democracy in Turkey had not gone far enough to allow his country to become a full member of the Community. If Turkey had applied for membership of the EC that meant it was prepared to adhere to its rules, he said.

"The process of democratisation in Turkey has gained great momentum," he maintained. "In a short space of time we were able to restore democratic rights and freedoms." He admitted, however, that only later this month would the state of emergency be lifted in the four provinces where it was still in force.

Greek claim of Soviet interference

By Andriana Ierodiaconou in Athens

The Greek Socialist Government has been accused of tolerating Soviet interference in foreign policy following the disclosure of an exchange of letters between the Greek Prime Minister, Mr Andreas Papandreou, and Mr Mikhail Gorbachev on the thorny subject of the future of the four US military bases in Greece.

In a letter written last May and leaked this week to the satirical Greek weekly Pontiki, Mr Gorbachev expressed approval of "your view that, according to the unanimous wish of the Greek people, the bases must be removed." It recommended that "in the event of a delay in reaching an agreement on the removal of the ofreign bases" inspection procedures be set up "to ensure that no activity banned by any international treaty is taking place in these bases."

Mr Papandreou i nhis reply to the Soviet leader stressed that whether the bases were allowed to stay in Greece beyond the expiration of the present agreement on their operation in December 1988 would depend on securing "conditions having to do with ensuring our national interests and the security of my country, mainly as regards the visible threat from Turkey."

Following disclosure of the letters, the text of which was confirmed by a Greek Government spokesman, a statement by Greece's conservative opposition said that "the leader of the opposite alliance is not the most suitable parson to make suggestions on the bases."

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John Wyles reports on the quiet battle for leadership of the UN agency

FAO voters face north-south divide

ONE OF the most absorbing international election campaigns of recent years is now moving towards its final phase. The choice of director-general for the UN's Food and Agriculture Organisation could influence the course of Third World agricultural development over the next few years, but the campaign has been barely noticed.

The vote by the 158 member countries carries crucial implications. It is perhaps simplified only by the fact that the leading candidate, Mr Edouard Saouma, has already been running the Fao, the UN's largest specialised agency for 12 years, that another, Mr Moise Mensah of Benin, is also deeply experienced in agricultural development, and that the third, Mr Gonzalo Bula Hoyos, the Columbian Ambassador to the Fao, does not have a chance of winning.

Partisans, as ever, would simplify still further. The Saouma camp let it be known that the alliance he has forged between the Fao secretariat and the developing country members might be shattered for ever if their man loses the vote at Fao's biennial conference in Rome on November 9. Victory for Mr Mensah, they say, would put the industrialised, contributing countries back in the driving seat, restricting innovation, tightening purse strings and consolidating rich "northern" influence over the poor south.

Mensah supporters are plugging both the quality of their man and the insistence that two six-year terms are enough for Mr Saouma. A Lebanese Maronite Christian, the present director-general has tended to rule Fao as a personal fiefdom, demanding total loyalty and acceptance of his authority. It is, say his critics, a style which gravely weakens Fao's managerial morale, structure and performance and, as a result, the effectiveness and value of too many of its programmes.

This view comes with near-unanimity from the main contributors to Fao's budget—projected by Mr Saouma as $457m for 1988-89. Of the top five—the US, Japan, West Germany, France and the UK — only France has declared that it will vote for the incumbent. The US (which contributes 25 per cent of the budget), Japan (12 per cent) and the UK (6 per cent), are all backing Mr Mensah while Germany (10 per cent) has yet to declare.

Having such big guns slinging for him threatens to handicap Mr Mensah with the developing country vote which is clearly the large majority in the Fao. "We think our cause might be compromised if Mensah arrives," said an Asian diplomat, arguing that "northern" concerns over managerial effectiveness and budgetary discipline would simply make the Fao less useful to the developing world.

The African's best hope lies in the fact that the ballot will be a secret one and that the many developing countries which have declared for Mr Saouma (pictured, left), for fear of losing favours, can turn safely apostate on election day.

But Mr Mensah has personal and political credibility. He has been a professional agronomist for more than 20 years, was once his country's agriculture minister and served as a deputy director-general at the Fao. He is now the UN's assistant president for projects.

His political base, however, which US diplomats say was important in winning Washington's backing, is the Organisation of African Unity which has made him Africa's candidate. This was a serious blow for Mr Saouma whose once substantial influence over African governments has slipped severely because of what is generally thought to have been a poor Fao response to the African food crisis.

At the moment, Mr Saouma is the clear favourite, having combined all the advantages of an incumbent with a political skill which has won the respect of even his direst enemies—he can make promises and threats which are unavailable to Mr Mensah.

But he also stands on a solid record of initiatives such as the global information and early warning system on food supplies and the development of a regional network of offices which has put Rome in better contact with the field.

British and US diplomats say that Mr Mensah is drawing closer all the time, although they may be trying simply to make a contest of it. The African's best hope lies in the fact that the ballot will be a secret one and that the many developing countries which have declared for Mr Saouma, for fear of losing favours, can turn safely apostate on election day.

Many may, however, share the view that, whatever his shortcomings, Mr Saouma should have a third term precisely because he has demonstrated the necessary personal and political strengths in his two previous ones. Washington and London may believe he has too much power and that a third term would allow him even more, but this is not a universally held belief.

"You need a strong man in that job who will not be pulled in different directions by 158 member governments. Saouma is committed to the developing countries, we know him and we trust him," is an Asian point which may be sufficiently widely-held to carry Mr Saouma back into office.

OVERSEAS NEWS

Mubarak faces rising Islamic militancy

By Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt, who was due last night to be re-nominated by parliament for a second term, is facing a growing challenge from the religious right to his middle-of-the-road policies.

Mr Mubarak's second six-year term is likely to be marked in its early stages by increased pressure from a resurgent fundamentalist movement that is demanding strict application of Islamic Sharia law in Egypt.

The 58-year-old former air force commander steered a careful course in his first term between competing elements in Egyptian society. Some of his advisers are now urging him to take a firmer stand against the Islamic tendency which emerged from recent elections as the strongest opposition grouping.

Following his re-nomination by parliament, Mr Mubarak will be formally endorsed as president at a referendum on October 5.

Under the Egyptian constitution, parliament is empowered to nominate the sole candidate for President. Mr Mubarak's National Democratic Party commands more than the two-thirds majority required.

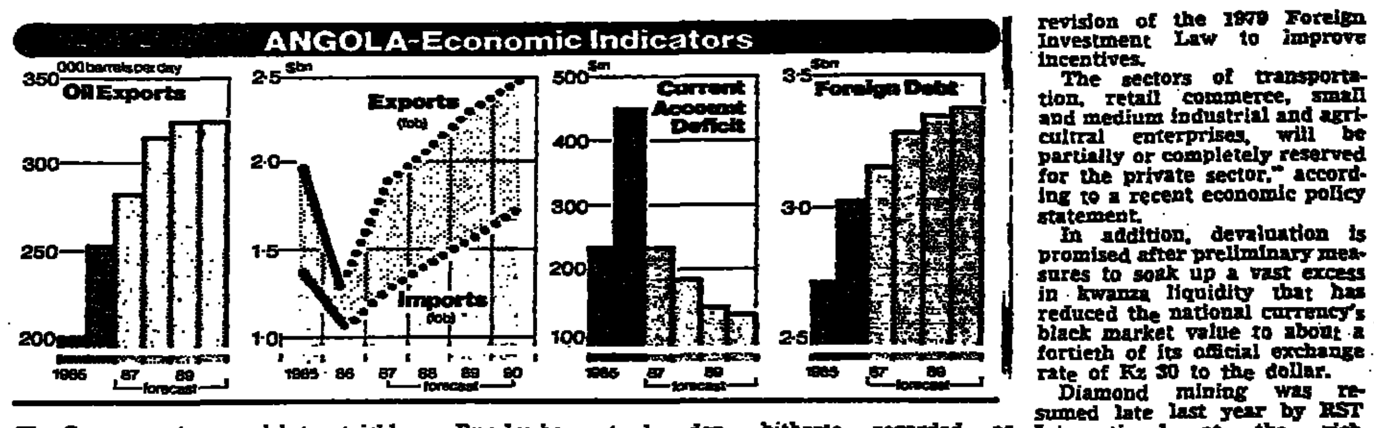
The banned but tolerated Moslem Brotherhood has proved the most aggressive opposition force in the new parliament since elections in April. Together with two smaller parties, it has been at the forefront of agitation over the detention without trial of hundreds of mostly young men on suspicion of membership of extremist groups.

This followed several shooting incidents in Cairo, including an attack on a former interior minister and on a left-wing newspaper editor noted for his antipathy towards the Islamic tendency. Some Egyptian observers are expressing concern that by permitting the mainstream Moslem Brotherhood to participate in parliament, the authorities may have helped to create a "Trojan horse" for more extremist Islamic elements.

Mr Mubarak also faces, in his second term, having to grapple with continuing economic difficulties, including notably inflationary pressures. Price increases of 20-30 per cent annually are a serious worry for the administration.

Angola pins its hopes on a unique debt strategy

Tony Hodges reports on an economy hit by war and low oil prices



WRACKED by war and beset by a severe payments crisis since the slide in oil prices, Angola would have to spend over half its merchandise export earnings this year to meet its debt service obligations and clear accumulated arrears.

That is the daunting scenario facing Luanda's Marxist Government unless it succeeds in convincing Western governments to back an imaginative market-based strategy to restructure its debts, put to official export credit agencies in a series of briefing sessions in a recent tour of European capitals by Mr Augusto Teixeira de Matos, the Finance Minister.

Angola is almost an oil mono-export country, due both to the impressive growth of its oil industry since the early 1980s and the havoc wreaked on its non-oil economy by 12 years of war. Indeed, after Nigeria, it is sub-Saharan Africa's largest oil producer. Last year, oil production rose by 21.5 per cent to an average of 282,031 barrels a day (b/d). Exports reached 251,853 b/d, 25.3 per cent higher than in 1985 and two-and-a-half times as high as in 1982.

But Angola's average oil export price was more than halved in 1986, to a mere $12.29 per barrel. Crude oil exports dropped 41 per cent in value, to $1.13bn. Other exports (refined petroleum, liquid petroleum gas, diamonds and coffee) added only $144m, so overall exports slumped by 35 per cent from $1.98bn to $1.28bn.

The Government was quick to impose tough austerity measures, which succeeded in reducing imports (free on board) by 23 per cent to $1.06bn last year. Nonetheless, the current account deficit doubled from $236m in 1985 to $447m.

The import cuts have forced many industries to reduce production to a small fraction of capacity. "It is possible that some enterprises which are already running at reduced rates may stop production in a few months' time." President José Eduardo dos Santos warned at a mass rally on May 15 in Benguela.

Industry's problems are doubly serious because traditional supplies of agricultural raw materials from the rural hinterland have dried to a trickle. Rural-urban trade, which was almost entirely in Portuguese hands in colonial times, collapsed when over 90 per cent of the 330,000 Portuguese settlers fled abroad on the eve of independence in 1975. Since then recovery has been undermined by the spread of Unita's guerrilla war, which has disrupted road and rail traffic across much of the country.

The war with Unita, and the need to fend off successive cross-border incursions by South African forces from Namibia, has made defence the Government's overriding priority. Last year it devoured $1.15bn, a staggering 40.4 per cent of total government expenditure.

When oil exports slumped, the country's debt service burden, hitherto regarded as modest, suddenly became insupportable. A bilateral rescheduling of 1987-88 principal repayments was negotiated with the USSR, by far the largest creditor because of its huge military sales.

But debt service, which had been equivalent to 18.2 per cent of current account receipts in 1985, would still have risen to 33.1 per cent last year—had it not been for the build-up of arrears. By the end of the year these had reached $378m, including about $220m owed to Western export credit agencies.

The short term outlook is mixed. On the one hand, the Government is proceeding with salutary economic reforms, including price liberalisation, the phasing out of subsidies to loss-making parastatals and revision of the 1979 Foreign Investment Law to improve incentives.

"The sectors of transportation, retail commerce, small and medium industrial and agricultural enterprises, will be partially or completely reserved for the private sector," according to a recent economic policy statement.

In addition, devaluation is promised after preliminary measures to soak up a vast excess in kwanza liquidity that has reduced the national currency's black market value to about a fortieth of its official exchange rate of Kz 30 to the dollar.

Diamond mining was resumed late last year by RST International at the rich Cuango deposits, where a Unita attack in 1984 forced a two-and-a-half year standstill. Moreover, oil output has now reached 30,000 b/d and is forecast to average 321,000 b/d over 1987 as a whole. Oil exports are projected to rise by 12 per cent in volume to 283,000 b/d and, assuming an average price of $16 per barrel, by 46 per cent in value to $1.65bn.

Anticipating a 47 per cent improvement in overall exports to $1.88bn this year, the Government hopes to ease shortages by allowing imports to rise by 20 per cent to $1.3bn, while still cutting the current account deficit by almost half to $238m.

Encouraging though that may be, Angola still has to clear its backlog of arrears and meet its heavy debt repayments, which are now peaking. It would take 54 per cent of projected merchandise export earnings to meet all debt service obligations ($638m) and clear the 1986 arrears in full this year.

A classical rescheduling through the Paris Club, requiring a prior agreement with the International Monetary Fund, is seemingly excluded because Angola, alone among African countries, is not an IMF member. Instead, the Finance Minister is proposing a novel refinancing strategy that would obviate the need for rescheduling.

This centres on a 15-year floating rate notes (FRN) issue of about $1bn, sufficient to clear all arrears to Western export credit agencies, pay off immediately about $400m of 1987-89 principal repayments, provide about $130m in fresh money and purchase $250m worth of zero coupon bonds with a face value and maturity identical to the FRN issue.

The export credit agencies, which are being asked to part guarantee the notes, are expected to discuss the Angolan proposal at the next Paris Club meeting in late June, according to an official of the UK's Export Credits Guarantee Department. If the strategem works, it will be unique in the history of Africa's debt crisis.

Tony Hodges is author of Angola to the 1990s: the Potential for Recovery, recently published by The Economist Intelligence Unit.

S African blacks form moderate party

SEVERAL THOUSAND moderate South African blacks have formed a new political party that opposes apartheid racial segregation but is prepared to work with the white-led government, Reuter reports from Johannesburg.

The party, the Federal Independent Democratic Alliance, was launched at a low-key meeting by 4,000 delegates in Johannesburg yesterday.

Mr John Gogotya, the party's first president, said its party's top priority was to fight apartheid. "The black man has been given a raw deal. There must be redress," he told reporters.

But he said the party was prepared to take part in an advisory body proposed by President P. W. Botha to give South Africa's voteless black majority a voice in the country's future.

Mr Botha has been urging moderate blacks to join him in talks on new constitutional arrangements, although he has ruled out admitting blacks to parliament and has said he will not scrap the main pillars of apartheid legislation.

Tamil rebels kill nine Sri Lankan soldiers

At least nine soldiers were killed and 30 wounded when Tamil Tigers attacked an army camp at Nelliady three miles south of Point Pedro, well within the Vadamarachi area which the army secured in its May-June "Operation Liberation," Mervyn de Silva reports from Colombo.

According to reports reaching Colombo 15 soldiers are also missing. It is feared that some of them may have been captured by the Tigers, the most powerful of the separatist rebel groups.

Tax windfall for Australia

AN INCOME tax windfall helped the government return a 1986-87 budget deficit of A$2.72bn (£1.2bn), lower than the forecast figure of A$3.50bn, Mr Paul Keating, the Treasurer, told a news conference, Reuter reports from Sydney.

Treasury statistics showed tax revenue up 12.4 per cent from 1985-86 in the year ended June 30, 1987 and 1.3 percent higher than the budget estimate.

Income tax receipts were A$1.41bn higher than forecast, with the Fringe Benefits Tax earnings A$535m in its first nine months—A$210m more than expected, the statistics showed.

Israel puts off decision over Lavi fighter

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government, under intense pressure from the US to cancel the highly expensive Lavi combat aircraft has once again deferred a final decision.

But the indications are that the ruling triumvirate—Prime Minister Yitzhak Shamir, Foreign Minister Shimon Peres and Defence Minister Yitzhak Rabin—are still determined to press on with the project, provided a way can be found round its budgetary difficulties.

A decision had been expected to emerge from yesterday's specially extended Cabinet meeting, the first after Mr Rabin's return from talks with top US officials in Washington. But with the coalition Government reportedly evenly divided, across party lines, no consensus could be found. It was the sixth full Cabinet meeting in succession which had failed to break the deadlock.

While Mr Shamir and Mr Peres, the two party chiefs, are understood to favour persisting with the sophisticated aircraft —regarded by Israelis as a technological triumph of overriding national importance—Mr Rabin has said that the Lavi can only go into production if the ceiling on the defence budget is increased, or other sources of finance are found.

According to the usually reliable Army Radio, the Defence Minister told the Cabinet that the US had agreed to finance the cost of cancelling the Lavi—a critical consideration for the Israeli Government, with cancellation costs estimated at over $400m.

- The Israeli military authorities have imposed an indefinite ban on fishing off the coast of Gaza, threatening one of the most important sources of revenue in the impoverished coastal strip Israel has administered since 1967.

Unspecified "security considerations" were given for the ban, the second in two months. Following the escape of six Palestinian guerrillas from a security prison in Gaza in mid-May, all fishing was banned for several weeks.

No soimilar pretext is apparent this time. But the action may well be linked to renewed attempts to stamp out the smuggling of consumer goods and drugs to and from neighbouring Egypt.

Nearly a thousand commercial fishermen are reginsterd with the Israeli authorities, but of them between 200 and 300 are already on a "black list" for infringements of the many regulations hemming in the business. All told, an estimated 50,000 of Gaza's 600,000-strong population depend on fishing for their subsistence.

The fishermen must observe a dusk-to-dawn curfew and are allowed to operate in a sea area only one-quarter the size of their traditional zone. Most of the catch is sold fresh, either in Israel or else to Israeli merchants who travel to Gaza to negotiate their purchases.

A Gazan co-operative was refused permission to instal a sardine canning plant on the grounds that it would offer unacceptable competition to Israeli producers.

Malaysia agrees depositor refund

By Wong Sulong in Kuala Lumpur

THE MALAYSIAN Government yesterday resolved the politically sensitive issue of the loss of more than US$300m by depositors of deposit-taking co-operatives. the 580,000 depositors, most of whom are Chinese, are to get a full refund.

The depositor bail-out represents a big boost to Dr Ling Liong Saik, the Transport Minister, who is seeking confirmation as president of the Malaysian Chinese Association, the Chinese partner in the Government.

He is being challenged by Dr Neo Yee Pan, the former MCA president, who is making a political comeback. Dr Neo lost the party's leadership to Tan Koon Swan, who is currently serving a two-year jail term in Singapore

Nakasone calls for speedy budget boost

Japanese Prime Minitser Yasuhiro Nakasone yesterday presented a supplementary budget aimed at meeting Western demands for a boost in local spending and called on parliament to approve it quickly,. Reuter reports from Tokyo. Mr Nakasone, addressing the opening of a special parliamentary session called to pass a Y2,070bn (£8.9bn) budget, also called progress on tax reform "absolutely imperative."

AMERICAN NEWS

Cynthia Williams in Austin reports on prospects for economic recovery in the Lone Star state

Texas pays price of living high on the hog

THE TEXAS economy, still reeling from the damage caused by last year's plunge in oil prices, may recover some momentum in 1987 if economic diversification takes hold and beleaguered lawmakers act to stem a rising tide of red ink.

Texas has already been jolted out of its summer lethargy by tornadoes, floods, strings of bankruptcies, a continuing fiscal crisis, and preliminary inquiries into whether Governor Bill Clements should be impeached because of his role in a scandal involving improper payments to football players.

After a year and a half of grappling with the state's fiscal emergencies, Texas lawmakers were again summoned to the state legislature in Austin two weeks ago for a special summer session to tackle the state's $6.5bn budget deficit. Unless the legislative round-up produces a budget by the end of August, the state – already faced with the unhappy choice of raising taxes or cu**ing spending – could be forced to shut down services in September.

The budget deadlock is pitting a heavily Democratic legislature against Governor Clements, a combative 70-year-old Republican who dismisses charges of impropriety as "nonsense" and has repeatedly vowed to veto any new taxes. Although its tax structure is still highly dependent on oil severance taxes, Texas has no income tax on companies or individuals.

Mr Clements is calling for "oil stabilisation" in the form of a tax on foreign oil imports that would favour domestic producers. A bill introduced by Senator Lloyd Bentsen of Texas, the Democratic chairman of the Senate Finance Committee, to tax imported oil as an amendment to the trade bill was defeated in Senate in Washington last week. President Reagan lobbied heavily against new taxes on foreign oil.

Lieutenant Governor Bill Hobby of Texas, a Democrat who is constitutionally the most powerful legislator in the state, makes the case that new taxes are needed to make up for a sharp drop in oil severance tax revenue. "The thing that needs to happen is a readjustment of the state's tax base put in place in 1961 to reflect the state's change to a more service-driven economy," he said, noting that Texas is one of the lowest tax states in the US in terms of per capita taxation.

Mr Hobby supports new corporate franchise taxes, arguing that some of the fastest-growing sectors of the economy such as medical research partnerships are highly profitable and tax-exempt.

As the partisan debate hots up in Austin, the legendary Texas entrepreneurial spirit continues to take a beating, with the oil bust coming on the heels of an agriculture bust and preceding what is today a flood of real estate and banking failures.

Hazardous business conditions caused a record 7,674 business failures in the Lone Star state last year, according to Dun & Bradstreet. In the first four months of this year, the number of failures in Texas was 2,982, double the figure for the corresponding period in 1986. The ripple effect from failed businesses continues to spread, as the debts left behind from failed companies become an extra burden on surviving businesses in the region.

Last year Texas led the US in bank failures, with 28 compared with 145 bank failures nationwide. So far this year, 33 banks have already gone under in the state, and Mr Kenneth Littlefield, the state Banking Commissioner, expects that number to double by the end of the year.

He sees the largest concentration of bad loans coming from the real-estate sector rather than from the energy area as was the case in previous years. Nevertheless, Mr Littlefield stresses that the future outlook for banks will improve thanks to a radical restructuring of the state's banking industry that is paving the way for state-wide branch banking, "whose most significant and immediate impact is consolidation of the bank holding companies."

The shakeout in the industry is expected to reduce the number of banks from the 1,966 operating in a state that is notoriously overbanked and overbuilt.

Texas thrifts have faced unprecedented hardship this year as loan losses continue to mount and depositor unrest forces the savings and loans to pay exorbitant interest rates to attract deposits and meet funding needs.

A report recently released by the Federal home loan board of Texas reveals that the 280 S&Ls in Texas lost a spectacular $1.5bn during the first four months of this year, compared with a $200 million loss during the same period in 1986.

Texas state Savings & Loan Commissioner Mr L.L. Bowman expressed his confidence that legislators in Washington "will approve funds between $5bn and $7.5bn" to recapitalise the depleted thrift insurance fund and said the FSLIC replenishment should be adequate to address the thrift industry's urgent needs and stem a run by jittery depositors who withdrew $527m in net deposits from Texas S&Ls in April alone.

To complete the dismal picture, 14,000 commercial farmers lost their farms in Texas last year. Mr Jim Hightower, the Texas Agriculture Commissioner and something of a populist hero, went to Washington two weeks ago to plead for federal help, warning that "farm failures are already up 300 per cent in the first four months of 1987 compared to the same period last year."

As the pillars of the state's economy crumble, the archetypal Texas natural-resource billionaire whose fortune came from cotton, then cattle, finally oil and land is becoming a vanishing species.

Now the Lone Star state is turning to a new kind of entrepreneur as personified by T. Boone Pickens, Ross Perot, and the emerging service companies. Mr Bob Bullock, Texas Controller of Public Accounts, predicts that "over the next 20 years, service-producing companies will create three of every four new Texas jobs," and most economists agree that the worst of the business recession in Texas is over.

Dr James F. Smith, director of the University of Texas' Bureau of Business Research notes that "we have a strong position in every leading edge technology that will provide the stimulus for economic growth well into the next century." In Dallas, Mr Jim Deegan, president of Economic Data Analysts agrees; "the economy is reboumding and employment has risen more than 2 per cent so far this year. Although the overbuilding in Texas is even worse than it looks, the supply and demand imbalance woes make this state a cheap place to do business," he said.

Among companies to move recently to Texas, J. C. Penney the nation's second largest retailer, is relocating its headquarters from New York to Dallas.

Other economists such as Dr Steven Malin at the Conference Board,

President Reagan: opposed new oil tax

a conservative think tank, draw attention to rapid growth in high-tech, defence, biotechnology and medical research around the state.

Whether Texas can sustain its legendary growth and lessen its dependence on oil will be determined by the state's ability to respond to tough economic questions. "We've been living high on the hog for so long, and now we need to make hard choices," said Dr Smith. "All we need to do is to solve our fiscal problem without harming our long-term growth prospects and we'll set new economic records on a regular basis again."

Union attempt likely to expel Cardenas from Mexico's PRI

BY DAVID GARDNER IN MEXICO CITY

LEADERS of Mexico's powerful pro-regime trade union bureaucracy are expected to try to force the formal expulsion of Mr Cuauhtemoc Cardenas, leader of the dissident Democratic Current inside the ruling Institutional Revolutionary Party (PRI).

Mr Cardenas has annaunced he will seek the PRI nomination for the Mexican presidency, due to change hands within the 70-year-old regime next year, in defiance of a leadership ruling on June 22 which placed him and his faction beyond the party pale.

Leaders of Mexico's principal trade union federation, the CTM, have been at the forefront of efforts to get the left-wing national dissidents formally expelled.

Its leader, 87-year-old Mr Fidel Velasquez, has reportedly ordercd a concerted campaign by CTM sections to pressure the PRI national executive into more energetic action.

Though the PRI has bungled two attempts to throw Mr Cardenas and his colleagues out already this year—greatly strengthening their appeal—its leadership appears unsure whether its tactics are opening up more space for the dissidents.

Some members of the leadership argue the PRI cannot afford a protracted procedural conflict which even minimal respect for party statutes would require if the dissidents, including former party president Porfirio Munoz Ledo, were formally to be expelled.

The PRI leadership's latest strategy is to order the party at all levels to deny the dissident access to buildings or areas under their control, after less organised attempts to slam doors on the Current across the country had failed.

The opening meeting of Mr Cardenas' campaign, on the outskirts of Mexico City at the weekend, was held alongside the square where it was originally intended to take place. This had been filled up by local party bosses with an impromptu market.

For both state and private television, the Democratic Current does not exist. Televisa, the private TV monopoly, is headed and part owned by Mr Miguel Aleman, son of the 1940s president of the same name who undid many of the reforms, including the distribution of land to peasants, carried out by Mr Cardenas' father, the revered Gen Lazaro Cardenas, who was president in 1934-40.

The CTM leadership's vigorous hostility to the dissidents is explained in large part by their fear of democratisation undermining their corporatist power base.

At the same time, however, both the Government and the CTM appear to be reacting nervously to the tentative support shown for the Current by Mr Joaquin Hernandez Galicia, "La Quina," leader of the enormously powerful oil workers' union.

Mr La Quina, is seen by most analysts as wanting to increase his bargaining position both with a government which has tried half-heartedly to restrict his power and within the CTM against the time when Mr Velasquez steps down or dies.

Panama probes charges against Gen Noriega

PRESIDENT Eric Delvalle, of Panama, in an effort to defuse a month-old political crisis, has ordered an inquiry into charges that Panama's top military officer was involved in corruption, election fraud and a murder, AP reports from Panama City.

In a broadcast speech on Sunday, President Delvalle said the allegations against General Manuel Antonio Noriega, the country's de-facto leader, "demand a prompt and effective investigation." He also called for reconcialiation talks with the opposition.

Opposition leaders demanded that Gen Noriega step down before any investigation or negotiations took place. They also attacked President Delvalle's choice of attorney General Carlos Villalaz to head the inquiry, and said an independent figure should conduct it instead. The Attorney General is appointed by the president, a civilian.

The president's speech was aimed at ending the violent demonstrations that broke out

Chrysler fined for alleged safety regulation violations

THE US Labor Department yesterday fined Chrysler more than $1.5m for 811 alleged health and safety violations at its Wilmington, Delaware, automobile assembly plant, AP reports from Washington.

Officials in the Occupational Safety and Health Administration (OSHA) said Chrysler has agreed to pay the fine, the largest ever assessed by the Labor Department, but has not admitted to breaking the law.

As the result of a January inspection at the plant, OSHA officials said they found 225 "willful" or deliberate violations of the law in which workers were exposed to hazardous levels of lead or arsenic.

Overexposure to lead can damage the central nervous system and, in sufficient quantities, cause death. Arsenic also is a lethal chemical and a potential carcinogen.

OSHA launched its inspection of the 4,000-worker Wilmington plant after concluding that Chrysler deliberately under-reported job injuries at it and two other plants in Illinois and Ohio in 1985 and 1986.

Last month, the company and two of its executives were indicted by a Federal grand jury in St Louis on conspiracy and fraud charges for disconnecting odometers on cars driven by Chrysler officials and later selling the vehicles as new.

Mr Lee Iacocca, Chrysler chairman, last week apologized to the buyers of those cars, promising to extend the warranties on the vehicles and to replace those that were damaged in testing.

Civil rights group to oppose Bork

THE LEADER of the biggest US civil rights organisation yesterday vowed to fight against President Reagan's nomination of conservative judge Robert Bork to a seat on the US Supreme Court, Reuter reports from New York.

Judge Benjamin Hooks, executive director of the National Association for the Advancement of Coloured People (NAACP), said Mr Bork's appointment would threaten hard-won civil rights victories.

"We will ask the Senate to reject Judge Bork's nomination," Hooks told thousands of delegates at the NAACP's annual convention here.

A hard fight over the Bork nomination is expected in the US Senate.

While noting the advances made by the civil rights movement since the last NAACP convention in New York City in 1959, Mr Hooks said: "There is a dark side of hatred and bitterness, racism and intolerance which is alive and well in the Big Apple tonight."

He referred to the recent trial of "subway vigilante" Mr Bernhard Goetz, who was found not guilty last month of the most serious charges in the shootings of four young black men on a New York City subway. He also mentioned an attack on black youths last December in the predominantly white neighbourhood known as Howard Beach.

Presidential candidate Mr Richard Gephardt, a Democratic congressman from Missouri, is to address the convention. Several other presidential aspirants are scheduled to appear later in the week.

General strike in Haiti set to resume

A GENERAL strike against Haiti's government was set to resume yesterday after violence last wek which left 20 people dead and scores injured in the run-up to elections next month, Reuter reports from Port-au-Prince.

The strike which began on June 30, was suspended for the wekend by strike leaders to allow the public to work and buy provisions.

The Provisional Electoral Council, embroiled in a dispute with the ruling military/civilian council over control of the elections, broke off talks with the government on Saturday, accusing the army of shooting innocent people in indiscriminate violence

The government urged resumption of the talks, aimed at preparing for democracy in 1988, and the PEC said it would resume discussions once order was restored. Opposition groups called the stoppage in protest against the government.

The ruling council has tried to defuse the strike by abandoning its plans to take partial control of local elections set for August and presidential elections planned for November.

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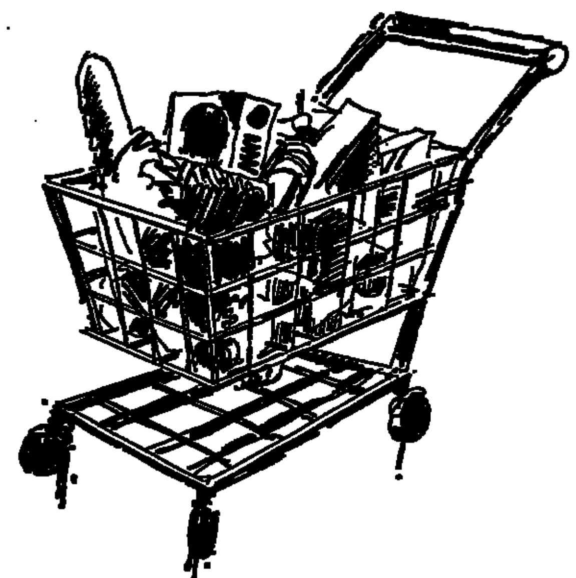

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WORLD TRADE NEWS

US seeks sweeping reform of farm trade policies

BY WILLIAM DULLFORCE IN GENEVA

THE US yesterday put on the table a sweeping proposal for phasing out in 10 years all subsidies affecting agricultural trade and for doing away with all import barriers during the same period.

Marketing of farm produce with the aid of export subsidies would be frozen at its present levels and then phased out over the same period.

Washington's proposal was submitted to the group negotiating farm trade under the Uruguay round of the General agreement on tariffs and Trade

It would eliminate all kinds of farm support except for direct income payments not linked to production and marketing or bona fide aid programmes. It would cover not only farm produce but also foods, beverages, forest products, fish and fish products.

In addition, the US called for the harmonisation of health and sanitary regulations. Domestic regulations should be based on internationally agreed standards.

Gatt negotiators would tackle a two-tier programme under the US proposal. First, they would agree on ways of measuring farm support to zero over 10 years.

Second, each country would be expected to indicate the policy changes it would introduce to meet its commitment under the schedule and these changes would have to be accepted by the other countries.

The measure of support for agriculture proposed by the US is the producer subsidy equivalent (PSE) introduced last May in a study by the Organisation for Economic Co-operation and Development (OECD). A PSE is essentially a measure of the income benefit to producers derived from the policies in operation in each country.

PSEs are calculated by measuring government budget outlays and other financial benefits to farmers. They include the benefit to farmers' incomes of restrictive border measures, calculated as the difference between domestic and external prices.

These components are combined to give a PSE for each country's overall support to agriculture.

The list of price supports that the US wants negotiators to take into account is extremely comprehensive. It includes all market price supports such as the variable levies used by the European Community, export subsidies and credits, import quotas and government payments to marketing boards.

Government contributions to stabilisation funds and inventory costs and interest subsidies would be covered.

Deficiency payments to farmers would also be included in the measure as would other forms of income support such as payments for storage, headage or acreage and negative payments such as producer levies.

In determining the level of farm support the US paper also lists for inclusion subsidies to crop insurance, concessional farm credits, fuel and fertiliser subsidies and some capital grants.

Marketing programmes, research and advisory services would come within the net to be covered by the PSE measure.

In the second phase of the negotiations under the Uruguay Round, when each country would indicate the policy changes it would introduce to meet the overall schedule of reductions, governments would retain some flexibility in their choice of means.

However, the US proposes that each country's 10-year plan would be "bound" under Gatt, no exceptions or second thoughts being allowed. But, each year the specific commitments would be examined to determine whether modifications were needed in the light of the overall progress being made by the country towards the overall schedule.

Some mechanism would have to be established for monitoring progress, deciding on enforcement and settling disputes during the 10-year period.

When they are negotiating their implementing schedules, governments would be able to claim credit for measures they had introduced to reduce the imbalance between production and demand since the declaration with which trade ministers launched Gatt's Uruguay Round at Punta del Este last September.

Conversely, countries would be charged with "debits" for measures taken since Punta del Este which had worsened the situation. They would have to remove those measures before receiving credit for reductions.

When governments are ready to present their implementing plans, the group should also begin negotiating changes to GATT rules to conform with the "trading environment" that would exist after the 10-year phase-out of subsidies.

Finally, the US suggests that the rules and procedures governing technical barriers to trade should be expanded, to apply more explicitly to processes and production methods.

Washington's proposal would eliminate all kinds of farm support except direct income payments not linked to production and marketing or bona fide aid programmes. It would cover not only farm produce but also foods, beverages, forest products, *fish and fish products.*

E Germany, Iran agree to expand co-operation

By Leslie Colitt in Berlin

EAST GERMANY and Iran agreed to expand economic co-operation at a meeting in Tehran between Mr Gunther Wyschofsky, East German Chemicals Minister, and Iran's Prime Minister, Mr Mir Hossein Moussawi, the Iranian news agency has reported. East Germany would import up to 1m tonnes of Iranian oil and bilateral trade would rise to to $1bn annually, it added.

It said Iran wanted to develop its mining industry and was interested in East German "experiences" in chemicals. The official news agency said Iran was prepared to sell oil and other products in exchange for goods.

No confirmation could be obtained from East Germany which in the past is reported to have received Iranian oil in barter deals. East German foreign trade statistics, however, show only that East Germany imported dried fruit from Iran.

It sold DM 171m in iron and steel products to Iran in 1985, according to the statistics. Electro-technical and electronic products worth DM 109m and machinery and equipment for the metal and plastics industries worth DM 77m were also exported to Iran in 1985.

East Germany obtains 90 per cent of its oil from the Soviet Union and has suffered considerable hard currency losses from the fall in international oil prices. It exports oil products to the West which it refines from Soviet crude oil and in the past sometimes even directly resold Soviet crude.

Mr Wyschofsky headed an East German delegation to a meeting of the joint commission on economic and technical co-operation in Tehran. He also had talks there with the Iranian ministers of industry and heavy industry as well as agriculture.

Japan business group opposes US trade bill

JAPAN'S Federation of Economic Organisations (Keidanren) is opposed to the trade bill now being considered by the US Congress, the group said yesterday, Reuter reports from Tokyo.

The bill would require the US President to take tough action against countries with large trade surpluses with the US or those which erected barriers against US exports.

"Japan has announced on May 29 and is hurrying to implement a Y6,000bn (£25bn) emergency economic package which includes public works projects and tax reductions to expand domestic demand . . ." the federation said.

"At such a time when each country is making sincere efforts, if the US passed a bill which includes quite protectionist aspects, it would decisively endanger the progress of negotiations for a new Gatt round of multilateral trade talks."

Such a protectionist measure would have a serious negative impact on world trade and the world economy, as well as on developing debtor-countries.

EC to stress worries to US

BY TIM DICKSON IN BRUSSELS

AS Mr Frans Andriessen, the EC's Agriculture Commissioner and his counterpart for external relations, Mr Willy de Clercq, begin a three-day visit to Washington today, they will derive some satisfaction from the fact that they have not come to stave off an immediate crisis.

But in a climate of continuing trade friction between the US and the Community, and in an atmosphere of rising protectionist sentiment on Capitol Hill, their mission is no less important as a result.

Bilateral problems such as the lingering pasta dispute and the potentially explosive hormones issue will certainly be on the agenda, but the main aim of the Brussels delegation is to put across the Community's point of view in general terms and to explain the consequences for EC/US trade of the trade legislation currently being debated in Congress.

Meetings for Mr Andriessen and Mr de Clercq thus include Senators and Representatives as well as key Administration figures such as Mr George Shultz, Secretary of State, Mr Richard Lyng, Agriculture Secretary, and the US Trade Representative, Mr Clayton Yeutter.

Particular concern will be expressed at the "Gephardt" amendment to the Trade Bill, which would penalise countries which enjoy a trade surplus with the US, while the American ideas for strict reciprocity in the telecommunications sector and the proposed reinforcement of US anti-dumping legislation will be among other worries taken up.

Last week's effective climbdown by the European Community over its plans for a new tax on vegetable and marine oils—the proposal has been shelved for at least six months—has for the moment at least removed the one issue that would have badly soured relations between the two sides this week. But there are other nagging problems that will not easily go away.

Parallel negotiations, for example, will be held in Washington in an effort to resolve the long-standing dispute over the level of EC export subsidies on Italian pasta. The EC has offerd to reduce these by 15 per cent but the US, which claims that they are in any case illegal under Gatt rules, maintains that this is not enough.

The EC directive banning the use of hormones in meat is also the target of anger in Washington and is likely to become increasingly hotly debated as its implementation date of 1 January next year approaches.

The Administration is concerned that its meat exports will be hit while the US pharmaceutical industry has been stepping up the pressure on Washington to take action.

The EC, meanwhile, is determined to remind its host that it has its own lost of complaints. Among the measures which Brussels considers discriminatory are the "super fund," a tax on oil imports, and the "customs user fee" which is a supplementary customs duty.

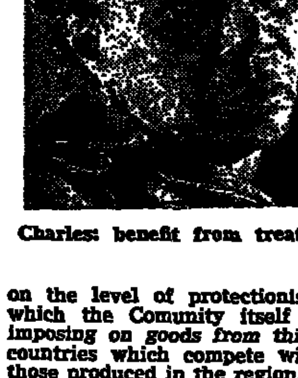
Canute James reports on a new commitment to an economic community

Hope reborn for Caribbean treaty

THE Caribbean Economic Community has taken on a new lease of life after a decade in which its member countries have tended to honour the trade treaty more in the breach.

At the end of their four day annual summit in Castries, St Lucia, the political leaders of the 13 nation group indicated that they had accepted repeated appeals from the region's importers, exporters and manufacturers that giving no more than lip service to the Community was damaging Caribbean industry.

Robinson: "successful meeting"



Charles: benefit from treaty

In agreeing to dismantle all restrictions to trade within the organisation by September of next year, the summit scored a singular success, notwithstanding the fact that free trade between members is central to the 14-year-old effort to create a viable economic community.

"This was a very successful meeting," concluded Mr Ray Robinson, the Prime Minister of Trinidad and Tobago. "I think the political leaders are satisfied now that the trade situation has improved dramatically. Progress has been made."

Cynical rejoinders are likely, however. Three years ago the Community's leaders agreed to move towards freer trade, but were slow in implementing measures to make this possible, leading to a dramatic fall in the value of trade within the Community to $290m last year, half the value for 1981.

Mr Robinson's assessment of the mood of the summit was doubtless influenced by the relief expressed by his colleagues at Trinidad's decision to end the imposition of a 12 per cent stamp duty on goods imported from Community countries, with an undertaking to end import licensing and stringent control of foreign exchange for imports by the September 1988 deadline.

The summit supported efforts to increase trade within the Community by approving the establishment in January of an export bank for financing trade, although the new institution will receive only a quarter of the funds it was seeking. International financial agencies have decided to assist the new bank only after they see it in operation.

The approval of a protocol allowing member governments and businessmen to invest in industrial and commercial projects in other member states is equally significant. This commits some states to removing legislation which prevents foreigners holding property and implies more freedom in the movement of capital between Community members.

This has been particularly welcomed by Mr Desmond Hoyte, the President of Guyana. Some of the projects suggested for regional investors — such as those based on forestry and minerals — could benefit his country.

Much of the success which regional manufacturers are expecting, however, will be based on the level of protectionism which the Community itself is imposing on goods from third countries which compete with those produced in the region.

"These restrictions are intended to protect Community goods," argued Mr Robinson. "We will always move to dismantle these where possible, but no country ever does this totally. Free trade is an ideal, yes, but in practical terms we have not yet achieved this ideal."

Mr Robinson's administration has made a meaningful start to protecting regional industry by imposing a ban on all but a few categories of garments imported from outside the Community. Barbadian garment manufacturers who were forced to close plants when Trinidad banned Comunity garments two years ago, are likely to welcome the move.

While making efforts to increase the level of intra-regional trade, several governments have concluded that the Community offers too small a market for meaningful expansion of regional industry and are looking to third country markets.

"The Caribbean export bank will provide financing for trade between Community member states, but will also finance exports to markets outside the Community, which is the real aim of the region's exporters," said Mr William Demas, president of the Caribbean Development Bank.

This may explain, in part, the tempering of expected criticism of special trade arrangements which allow Community members access to markets in the European Community, the US and Canada.

Several leaders have repeatedly attacked what they saw as limitations of the Caribbean Basin initiative, a 12-year trade programme implemented by the Reagan Administration in January 1984, which allows designated countries to ship a range of products duty free to the US.

Although Caribbean Basin exports to the US fell last year by $700m to $6.8bn, Caribbean Community leaders now seem more willing to try to make use of the market access.

"We are hopeful that the CBI will give us opportunities for greater trade," said Mr Erskine Sandiford, Prime Minister of Barbados. "We are still studying the obstacles." Mr Errol Barrow, Mr Sandiford's predecessor, had been harshly critical of the trade programme.

Miss Eugenia Charles, the Prime Minister of Dominica, who once said the CBI was intended to benefit the more "geo-political important" Caribbean states, says her country has used the trade programme to increase citrus exports to the US. "I was expecting nothing much from it for Dominica, but I am surprised to find now that we are benefitting."

UK NEWS

Nick Garnett looks at changes in the foundry industry

Rationalisation casts a long shadow

THE PLANNED £26m acquisition of F. H. Lloyd by Triplex, announced last week, marks another stage in the changing ownership structure of the foundry industry.

Although the group, to be known as Triplex Lloyd, will include facilities producing glass, aluminium and general engineering products, it also brings together the Triplex iron foundry interests with the F. H. Lloyd steel foundry plants.

That seems unusual because, unlike those in the rest of Europe, steel foundries in Britain have traditionally been kept separate from iron foundries, with different types of companies involved in the two different metals.

Ironically, the Swiss foundry industry—a good example of the way companies on mainland Europe tend to operate both iron and steel foundries—has been moving in the direction of separation on the British pattern with steel interests splitting off from iron foundry plants.

Both the steel and iron foundry industries have been under tremendous pressure during the past decade. A big increase in UK foundry capacity during the early and mid 1970s followed by a dramatic slide in demand from the late 1970s has led to a series of rationalisations, plant closures and shifts in ownership.

That trend is continuing, although the two sectors still have a good deal of overcapacity and profit levels generally remain inadequate.

The steel foundry industry is much the smaller of the two. Production of steel castings from UK foundries fell from 260,000 tonnes in 1976 (360,000 in the 1950s) to about 96,000 tonnes last year although the decline has levelled off with output fairly static over the past three years.

Steel castings are used mainly in what might be called mechanical engineering for such products as bogey frames and railway couplings for rail cars, stern frame assemblies and parts of engine casings on ships, valves and pumps, as well as parts for heavy earth-moving equipment and steel mills.

Because of the difficulty of obtaining the right tolerances and finish for small components using steel, the motor industry generally uses iron for engine blocks, manifolds and clutch housings.

The relative decline of British mechanical engineering — in common with much of Europe, except West Germany — severely harmed the industry. So did the relative lack of spending on transport.

At the same time cheap containerisation created an import-export industry. The Steel Castings Research and Trade Association estimated that the UK imports 15,000 to 20,000 tonnes of steel castings, while exporting a similar amount, mainly to the US. Main export countries to the UK include Korea and Taiwan as well as Spain and Belgium.

The decline in British output would have been even larger but for the effect of demand in the offshore oil industry.

Mr Jeffrey Reynolds, director of the steep castings association, said: "Adapting to this kind of decline in demand is a painful process. You are rarerly ahead of it."

Rationalisation under the Lazard scheme in the early 1980s removed, according to one estimate, about 22 per cent of capacity, cutting the number of foundries from 70 to 50. It was still believed then that about a dozen of the bigger foundries, if they were using the latest technology, could handle existing order levels.

Since then, several things have happened. The William Cook group emerged as the largest steel foundry company in the UK following the purchase last year of Weir's foundry interests, putting it ahead of F. H. Lloyd and George Blair. It is finding the absorption of that purchase more costly than expected.

The Brockhouse castings operation was sold to an Indian-owned group while Lake and Elliott was bought and then sold by Suter. Mr David Abell at Suter had shown interest in creating a large foundry stake, but the two companies he had his eye on — F. H. Lloyd and Weir—have gone elsewhere.

There have also been a number of management buy-outs including Glencast, formerly the National Steel Foundry in Leven in Fife, and the Wolsingham foundry in Durham, now Weirdale Steel.

Output from iron foundries totalled 1.1m tonnes last year as against 2.6m tonnes in 1979 and 3m in 1975.

Castings from iron foundries go into a broad range of industries and products from vehicle building, ingot moulds in steel making and pressure pipes for water and sewerage systems to domestic applications such as rain pipes and heavy plant including chemical production facilities.

The steep fall in the steel industry in the use of ingot moulds in favour of continuous casting inevitably hit iron foundries as has the dramatic decline in the UK vehicle industry.

Vehicles absorbed more than 900,000 tonnes from UK iron foundries in 1979 but that was down to 214,000 tonnes last year. The motor industry, in spite of the shrinkage of both Austin Rover and Ford's foundry interests in the UK, still takes 23 per cent of British iron foundry output.

The iron foundry industry has not been subjected to any organised rationalisation since the early 1970s — a programme that largely failed to cure overcapacity—but there have been some big changes in recent years.

Williams Holdings became a big player in this industry in the late 1970s and 80s but has now divested itself of most of its foundry interests.

Birmid Qualcast has closed a number of foundry sites, although it probably remains the largest producer, according to the British Foundry Association.

Several companies, including Newbys, Barton and Triplex itself have bought up smaller foundry businesses in recent years but the tale of closures has taken its toll. Mr Norman Gledhill, the steel castings association's director, says that Sterling Metals is the sole surviving private independent iron cylinder block manufacturer in the UK (just as there is only one surviving independent maker of aluminium cylinder blocks).

The UK foundry industry is criticised for not being productive enough, nor sensitive to market opportunities. New production systems such as replicast offer some new opportunities although they do create one problem. Such systems tend to increase production capacity just when the industry does not need or want it.

IRON CASTINGS PRODUCTION BY INDUSTRIAL SECTION

	Automobile	Ingot moulds	Pressure pipes and fittings	Building and domestic	Engineering	Other	Total (m)
	thousand tonnes						
1978	908.1	273.4	383.6	293.7	436.8	405.3	2.62
1979	914.1	269.2	302.2	293.4	402.2	399.1	2.58
1980	629.3	115.6	288.9	258.2	309.8	307.4	1.83
1981	522.6	200.7	230.6	214.9	218.5	242.6	1.63
1982	445.5	162.8	272.7	234.5	177.7	194.6	1.49
1983	402.0	147.5	265.8	189.0	238.2	181.7	1.43
1984	377.0	159.5	227.0	184.0	289.0	140.0	1.37
1985	227.5	102.0	161.0	221.0	312.0	138.0	1.20
1986	244.0	65.0	181.0	199.0	255.0	124.0	1.07

Source: DTI and British Foundry Association.

Directors oppose poll tax plans

BY HAZEL DUFFY

OPPOSITION to the Government's planned rates reform programme has come from the Institute of Directors, an unlikely quarter, on the grounds that the plans are premature and do not meet the instite's requirement that local authorities should be more accountable for their spending.

Sir John Hoskyns, the institute's director-general, argues in a letter to Mr Nicholas Ridley, the Environment Secretary, against the plans for the proposed community charge and the uniform business rate.

Further study of the entire system of local government finance is needed, he says, particularly when changes such as the increasing funding of education from the centre are already occurring.

"It may be that, with the increasing removal of the cost of education, possibly too the removal of the cost of roads—arguably a national service—and perhaps the provision of personal social services by health authorities, the sum required for the remainder of local services can be provided by local taxes."

The principle should be that total expenditure by local authorities be met as far as possible by local charges and local taxes: then there would be true accountability.

Proposals for the uniform business rate run "totally contrary" to the Government's view that a good local tax must be fair and accountable.

Sir John, a former head of the Prime Minister's Policy Unit, gave his reasons as:

- Businesses dissatisfied with the high rating policies of certain councils could vote with their feet, by moving to areas with lower rates. But the proposals would mean that they would now be penalised for that decision by substantial increases in their rates.
- The institute has supported moves to influence business rates by rate-capping of local authorities, but also believes that councils should be able to continue attracting business by pursuing low rating policies, which it could not do with the uniform business rate.
- Transferring responsibility for fixing the non-domestic rate poundage to central government, for distribution as government see fit, would further reduce protection for business ratepayers under a government out of sympathy with the wealth-creating sector of the economy.
- There would be no incentive for local authorities to pursue pro-business policies to increase their non-domestic tax base.

Challenge to Sizewell B is blocked

FRIENDS OF THE EARTH, the environmental pressure group, was yesterday refused permission to challenge in the High Court the Government's decision to build Sizewell B nuclear power station.

Mr Justice Kennedy rejected the group's application for judicial review, although he said there was an arguable case. He had refused the application because of failure to act promptly in bringing the case.

The group, which wants to challenge Sizewell B on safety grounds, is to take its case to the Court of Appeal.

Friends of the Earth is seeking to quash the consent granted in March by Mr Peter Walker, the former Energy Secretary, for the Suffolk power station on the ground that the wrong legal safety standard had been applied to the project. If it eventually succeeds, Britain's entire civil nuclear programme might be called into question.

The judge, refusing Friends of the Earth leave to bring its case, criticised the slow pace at which the application had been made.

He said the group had known that huge sums of money were being spent by the Central Electricity Generating Board on the project, now up to £17m each month. Yet its application had not been made promptly, as required under the rules for seeking judicial review.

Mr John Howell, counsel for Friends of the Earth, had told the judge the group was a voluntary organisation that depended on voluntary contributions. He denied that there had been any undue delay. But the judge disagreed.

He was satisfied that the argument put forward by the Friends raised an arguable point of law, but there had been undue delay.

Air near miss figures 'stable'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ALTHOUGH COMMERCIAL air traffic throughout the UK is increasing, the safety of air travel is being maintained.

That emerges from the Civil Aviation Authority's latest statistics on "risk-bearing airmisses"—the occasions on which aircraft come sufficiently close in flight to pose some risk to each other.

An "airmiss" is said to have occurred when an airline or military pilot considers that his aircraft may have been endangered by the proximity of another aircraft. Only the pilots of the aircraft involved can file an airmiss report.

Last year there were 16 such risk-bearing airmisses involving commercial air transport aircraft, the same as in 1985. Meanwhile, the number of movements by commercial air transport aircraft of all types rose from 935,000 in 1985 to 964,000 in 1986.

As a result, the rate at which commercial air transport aircraft were involved in risk-bearing airmisses in every 100,000 hours flown was reduced from 2.9 to 2.8.

The figures confirm a continued long-term downward trend, says the Civil Aviation Authority. In 1977, there were 45 commercial air transport aircraft in risk-bearing airmisses —a rate of 11.3 per 100,000 hours flown.

If commercial and military aircraft figures are combined, there was a small rise in risk-bearing airmisses, from 66 to 71 between 1985 and 1986, the CAA says.

Every airmiss reported by pilots, military or civil, is investigated to discover whether there were weaknesses in rules or procedures, potential problem areas in the airspace involved, or shortcomings in the performance of individuals or equipment.

The ultimate purpose of the airmiss report is not to punish pilots but to ensure that lessons are learned and corrective action taken.

The statistics show that the investigations into many airmiss reports proved that there had been no risks at all. During 1986 there were 59 such reports involving public transport aircraft, against 44 in 1985.

That does not indicate that the situation is getting worse, but rather that pilots are becoming more aware of the value of such reports and are reporting potential incidents more often.

Fares 'not matched' to costs

BY LYNTON McLAIN

IN WESTERN Europe there is a poor relationship between prices and costs for different types of air fare, according to a report on competition among international airlines, published yesterday.

The report, by Mr Richard Pryke of the University of Liverpool, was published by the Trade Policy Research Centre, an international institute based in London to promote analysis of trade and other international economic policy issues.

Airlines in western Europe have not adjusted their fares closely to costs and airline capacity is not matched to demand, the report says.

Standard air fares tend to be above costs, and discount fares tend to be below them. "This is because airlines engage in price discrimination and raise fares where demand is insensitive to price and reduce them where it is price sensitive," the report says.

European airlines have higher operating costs than airlines in the US—total operating costs in 1982 for each capacity tonne mile was 19 per cent greater for members of the Association of European Airlines than for US airlines.

European carriers have greater stage lengths, moreover, which ought to give them a unit cost advantage. With that consideration taken into account, their costs are 32 per cent higher than their US counterparts, the report says.

Maintenance costs in Europe were 27 per cent greater than for US airlines; while their expenditure on ticketing and sales was 52 per cent higher. General administration costs were higher still, at 112 per cent more than those of US airlines.

"After adjustments, unit costs are substantially greater for international services in western Europe, Africa and the Middle East than for international services in North America. In central and South America, Asia and the western Pacific, unit costs are only significantly greater," the report says.

The main reason for the high costs incurred by European and other airlines is the "unproductive use of staff and equipment."

The report concludes that present arrangements in Europe and elsewhere, especially the high unit costs of airline operations, inhibit innovation and stifle competition. It says the existing arrangements make a good argument for liberalising civil aviation.

Competition Among International Airlines, Trade Policy Research Centre, 1, Gough Square, London EC4A 3DE. £8.95.

Arthur Young chief chosen

By David Shriver

MR GORDON ANDERSON has been elected chairman of Arthur Young, one of the eight largest chartered accountancy firms in the UK.

Mr Anderson, 55, who takes up the chairmanship in November, has held several senior positions in the organisation, including the chairmanship of Arthur Young International's accounting and auditing advisory committee.

A partner in the firm's Glasgow office since 1958, he has recently completed a year as president of the Institute of Chartered Accountants in Scotland.

Guinness seeks judgment over payment in bid

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

GUINNESS, the drinks group, returned to the High Court yesterday seeking final judgment on its claim to recover £5.2m, paid to Mr Thomas Ward, a former director, after the company's successful takeover bid for Distillers last year.

The move was opposed by Mr Ward, a US attorney, who contended that the £5.2m was a proper reward for his "valuable services" to Guinness during the takeover and proportionate to fees paid by Guinness to other professional advisers.

The court was told that Guinness was not seeking to strike out Mr Ward's counter-claim that he was entitled to be paid for his services.

Mr David Oliver, QC, for Guinness, told Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, that, contrary to Guinness's articles of association and to the Companies Act, the £5.2m payment had not been disclosed to, or approved by, the full Guinness board.

The claim for final judgment was based on admissions made by Mr Ward and on the fact that he had no defence to the claim, Mr Oliver said.

In an interim ruling in May the judge said that an agreement alleged by Mr Ward to have been made by him with Mr Ernest Saunders, then Guinness chairman and chief executive, for payment of the £5.2m, could not have been lawfully made, because of the failure to disclose it.

The judge also said that Mr Ward had no defence to Guinness's claim to the £5.2m.

In his defence, read to the court yesterday, Mr Ward contended that the Guinness board had given Mr Saunders free rein to enter into agreements for the remuneration of professional advisers on the company's behalf.

Those retained by Mr Saunders had included "Mr L. Brittan, for political advice," Mr Ward claimed.

He also contended that the payment of the £5.2m, made to him through Marketing & Acquisition Consultants, a Jersey company, had been disclosed to a committee of three directors—himself, Mr Saunders and Guinness's then finance director Mr Olivier Roux—which had been authorised to act on the board's behalf.

Mr Ward asserted that he had acted honestly, reasonably and in good faith in accepting the £5.2m.

Mr Oliver said Guinness did not accept that there had been any agreement between Mr Ward and Mr Saunders, but if there had been one, it had never been sanctioned by the board. Also £5.2m was excessive and wholly disproportionate to any services performed by Mr Ward.

Section 317 of the 1985 Companies Act imposed a duty on a director to disclose to his board any interest he had in a contract, Mr Oliver said.

The hearing continues today.

GEC resumes talks over US engine deal

BY TERRY DODSWORTH AND NICK GARNETT

NEGOTIATIONS aimed at finalising a tripartite, collaborative deal to link the gas turbine division of the UK's General Electric Company with two large American partners in the same field are being resumed in the US this week.

Officials from GEC and the two US groups, General Electric (which has no equity connection with the British concern), and Allied-Signal, have already reached a preliminary agreement to pool some of their resources in the area of gas-turbine engines for the aircraft industry.

Mr Kelvin Bray, head of GEC's Ruston Gas Turbines division at Lincoln, is meeting GE executives this week, and it is expected that he will sign an accord within the next two weeks.

According to GE executives in the US, the two American companies decided some time ago to set up a joint venture to make small aircraft engines, based in Phoenix, Arizona. GEC has been invited to manufacture components as part of that consortium.

If GEC completes the deal, it will mean a significant diversification for the Ruston division. The company's main thrust is gas turbine manufacturing for industrial applications, and it does not have activities in the aero-engine field.

Ruston does, however, have links with GE, after a deal with the US group about a year ago to supply power turbines for GE's LM 5000 gas turbine range. It also believes that the underlying technology in industrial gas turbines and jet engines is sufficiently similar for it to make the transition without great difficulty.

The talks on the aero-engine move follow the announcement of several co-operative ventures and mergers by GEC in the last few months. They include a new, jointly held medical diagnostic equipment company formed with Philips of the Netherlands; expansion in the European weighing machine market through the acquisition of a stake in Berkel, also of the Netherlands; and the purchase of Micro Scope, a software company.

The company recently sold Dorman, one of its five diesel engine businesses, to a Midlands generating set manufacturer.

Ulster electricity board 'needed no state cash'

BY OUR BELFAST CORRESPONDENT

LOWER fuel prices last year enabled Northern Ireland Electricity to do without its government subsidy, it reported yesterday.

A profit of £3.7m to March 31 was the best financial performance since its formation in 1973. The government subsidy the previous year was £65.9m.

Mr Roelof Schierbeek, the Dutch-born chairman, said the main reason for the improved result was lower oil prices in the early part of the year, helped by later reductions in the price of coal.

Total fuel costs of £104.8m were £80.2m less than the previous year. Mr Schierbeek said electricity prices in the province, which are pegged at the highest rates going in England and Wales, had fallen in real terms and there was no immediate prospect of a cut in tariffs.

He said increases in oil prices during the second half illustrated the importance of a diversified fuel policy for future power generation. NIE is converting the first phase of its big Kilroot station near Belfast from oil to coal and oil firing. He said early completion of the second phase at Kilroot would produce cheaper electricity than building a power station to consume Ulster's reserves of lignite, or brown coal.

Oftel urges liberalising of payphone installations

By Terry Dodsworth, Industrial Editor

A CALL for greater freedom in the installation of rented payphones in the UK was made last night by Prof Bryan Carsberg, director-general of Oftel, the telecommunications regulatory body.

Prof Carsberg, who was speaking to the parliamentary information technology comittee, said, liberalisation would give an impetus the provision of payphones on private sites. He added that that might "encourage innovation that would lead to the improvement in the effective quality of service."

There are more than 300,000 rented payphones attached to the public telephone network in private properties such as restaurants or public houses in the UK, far outnumbering the 77,000 public payphones run by British Telecom. Prof Carsberg did not elaborate on his proposal, but it is likely that he will argue for simpler installation approval procedures.

BT's quality-of-service records have become a controversial issue because of pressure from user groups for publication of the findings. Those used to be made public, but BT decided to discontinue publication after its privatisation on the ground that the infromation was commercially sensitive.

According to Prof Carsberg, BT agreed to resume publication of its statistics a year ago when Oftel was on the point of producing figures. The company, however, had not agreed a plan of action nor made any public statement about its intentions.

He said: "While I have no doubt about the genuineness of its commitment to resume publication, I regard extended delay as damaging to consumer interets. I shall therefore need to consider what further steps I can take to promote a better informed appreciation of BTs qaulity of service if action by BT is not quickly forthcoming."

Machine tool output to rise 4% a year

By Nick Garnett

OUTPUT from the machine tool industry will grow in real terms by an average of 4 per cent a year over the next 10 years, based on cash sales, according to a report on the industry by the Henley Centre, the market forecasting agency.

The report, prepared in conjunction with Lloyds Bowmaker, the finance house arm of Lloyds Bank, also says domestic consumption is expected to rise by 11 per cent a year. That will result from higher demand and higher prices caused by inflation.

The market for special-purpose machine tools is likely to decline because of slower growth in industrion that have traditionally relied on special tools, including the vehicle and aerospace sectors.

Mr Eric Salema, the report's author and a senior economist at the Henley Centre, says demand for computer-numerically controlled machines will continue to rise.

However, domestic demand might be hindered by the reluctance of areas of British manufacturing industry to commit itself to long-term investment and the "scarcity of technically skilled decision makers."

Predicting machine-tool demand is notoriously difficult. A London Business School report last September forecast a 14 per cent growth in sales for the UK industry this year as against 1986, but sales so far this year appear to be much weaker than suggested by that figure.

Rules pave way for personal pensions

BY ERIC SHORT

THE GOVERNMENT has completed all necessary legal requirements for the introduction of personal pensions next year, with the publication yesterday of a series of regulations under the 1986 Social Security Act.

The regulations set out the detailed rules under which the Government's new pensions system will operate for personal pensions and the additional format for company pensions schemes.

Mr Nicholas Scott, the Social Security Minister, claimed that publication of the regulations would enable life companies and other pension providers to finalise new types of scheme, which have been made possible by the reforms in the act.

The pension industry, however, feels that although the regulations will help their planning, the way forward will not be clear until the Finance Bill, published last week, has passed through committee stage. The industry will be lobbying for considerable changes in many of the clauses in the bill that relate to pensions.

The 1986 Social Security Act has three underlying concepts; to cut down the involvement of the state in pension provisions by drastically curtailing the State Earnings-Related Pension Scheme (Serps); to give empolyees complete freedom of choice in making their pension arrangements; to make it easier for employers to set up company pension schemes as an alternative to Serps.

The act received Royal Assent nearly a year ago. Since then, the Government has been consulting the pensions industry over the complex rules under which the scheme will operate. It has issued a series of draft consultative documents.

Indeed, Mr Scott claimed that the process was one of the biggest consultative exercises of its type ever carried out. However, the pension industry has felt that the Government was mainly concerned with getting the industry's expertise to ensure that its system was workable, rather than seeking views on the principles of what it was doing.

That view seems to be borne out by Mr Scott's statement that after the industry's comments many technical improvements and some minor policy changes were made to the original draft.

Under the act employees will be able to come out of both their company pension schemes and Serps and set up their own arrangements through a

Nicholas Scott: new types of scheme

personal pension plan.

Employers will no longer be able to make membership of a company pension scheme compulsory—a move that has caused consternation among the established company pension schemes.

The Government's main aim, however, is to get the 13m employees not in a company scheme to come out of Serps and take out personal pensions.

To encourage these employees, the Government is paying an extra 2 per cent contribution as an incentive to any employee who takes a personal pension and has not been a member of a company scheme for two years or more.

One significant feature in the draft regulations has been the policing of this requirement. Originally the Government wanted employers to do the checking.

Now, after strong opposition, employers will have to provide information to the Department of Health and Social Security scheme to take out a personal pension. The department will on any employee leaving their then decide on eligibility.

Under the act an employee can also opt out of his company scheme and do nothing further. In those circumstances, the employee would automatically join Serps and thereby increase the number in the state scheme. That would be contrary to the Government's wishes.

The Government did float the proposal that employers could demand that an employee who left his scheme, or did not join it, should take over a personal pension. But in the face of severe opposition it dropped this idea.

Now, the Government is relying on life companies and other personal pension providers to seek out those employers not in their company scheme and sell them a personal pension.

Otherwise, the Government could find that the numbers of employees in Serps did not fall as anticipated. This would nullify the Government's efforts to cut back on state provision and avoid the problems of financing Serps in the next century.

Indeed many life companies are setting out pension planning schemes to allow companies to take advantage of the financial arrangements, by taking employees out of Serps when young and putting them back in when older.

The only other big policy change is to make the investment limitations on the new-style company pension schemes less restrictive.

The regulations come just in time for life companies and others to design new pension products, train their sales staff and mount a marketing campaign before the January 4 start date for personal pensions.

The regulations are now available from the Stationery Office.

Plan for national computer centre launched

BY ALAN CANE

AMBITIOUS plans to establish a national computing technology centre have been announced jointly by the Science Museum and Berkshire County Council.

The aim is to establish the centre by the Thames on the edge of Reading, Berkshire, as part of development project—Thames Valley Park — which will include a country park, hotel, shopping centre, lecture theatre and 17-acre business park planned by the development company Speyhawk.

The cost of the centre — part demonstration forum, part museum — is expected to be £20m over five years. The building will cost £12m and the rest of the money will buy exhibits.

Those behind the project hope the computer industry will finance the scheme.

Three computer companies, Digital Equipment of the US, the world's second largest computer company; ICL, the UK's only mainframe computer manufacturer; and Harris Computer of the US have already pledged their support.

A board of trustees has been established to lead the drive for funds. It will consist of Mr Gareth Gimblett, chairman of Berkshire County Council; Dr Neil Cossons, director of the Science Museum; Mr Trevor Osborne, chairman of Speyhawk; Mr Geoffrey Shingles, managing director, DEC UK; Mr Alan Roussell, joint managing director, ICL; and Mr Peter Lawrence, finance director of Harris Computer.

If funding is raised, the centre, to be called the Information Age Centre, should be in operation by 1992.

The Thames Valley Park is expected to create some 200 jobs and might also attract high-technology industry employing another 4,000.

There have been fears for some time that the UK, a pioneer in computing technology, was in danger of neglecting its early gains.

The Leverhulme Foundation last year funded a three-year research post at Manchester University, home of British computing, to help save early computer industry records.

Credit trend still rising despite dip in May

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

CONSUMERS borrowed slightly less in May to finance their high street spending, but the underlying trend of new credit remains firmly upwards.

Figures released yesterday by the Department of Trade and Industry show that new loans extended by retailers, finance houses and bank credit-card groups totalled £3.04bn in May compared with £3.08bn in April and a record £3.24bn in March.

Despite the dip in the latest month ,however, there are few signs that the credit surge of the last few years has begun to weaken. Talking the last three months together, consumers borrowed 11 per cent more than in the previous three months. New loans are also running about 15 per cent higher than a year ago, while the amount of outstanding debt has risen from £21.8bn to £25.6bn.

Yesterday's figures exclude personal loans taken out from banks and mortgage borrowing. The extent of the borrowing surge has provoked some concern in the City, where some analysts see it as a forerunner of higher inflation. The Bank of England has also been concerned by the risk that the ready availability of credit will encourage consumers to overstretch themselves.

Mr Nigel Lawson, the Chancellor, has played down the dangers, however, pointing out that consumers have also experienced a sharp rise in the value of their assets and that most new borrowing still goes into house purchase.

● The department confirmed that the volume of retail sales fell by 3.5 per cent in May after a rise of 3.6 per cent in April. The pace of increases in spending has eased somewhat this year, but the monthly figures have been erratic, largely because of the weather. A rebound in sales is expected for June.

Social fund 'faces big difficulties'

By Alan Pike, Industrial Correspondent

SERIOUS difficulties in the administration of the Government's proposed social fund for supplementary benefit claimants are forecast in a Policy Studies Institute study published today.

From next April, loans under the social fund to enable social-security claimants to meet special needs will replace the present system of one-off grants.

Mr Richard Berthoud, senior fellow at the Policy Studies Institute, argues that it would be better for claimants to be paid a higher level of income rather than have to claim special payments every time extra expenses arose. If basic benefit rates did not increase, the loan scheme would rightly be perceived by claimants as a "smokescreen for a reduction in their welfare."

The intended size of the social fund has not been disclosed, and Department of Health and Social Security staff will have wide discretion in handling requests for loans.

That, Mr Berthoud says, introduces three main problems.

Claimants will not know what they can claim and on what grounds; staff will be unsure what to do; and the public will lack confidence in the fairness of the distribution of payments.

Such doubts, Mr Berthoud says, are not based on any mistrust of DHSS employees. "The argument is about assigning excessive responsibility to any group of officials. Judges are not trusted to decide who to send to prison without reference to a set of laws; nor are generals licensed to declare war."

Mr Berthoud says a large proportion of high-priority loans and community care grants under the new system could become entitlements, to the advantage of both claimants and administrators. Claimants should be entitled to a social fund loan if they fitted certain criteria.

In another publication, the Policy Studies Institute has examined a scheme in the Netherlands similar to the social fund.

Basic benefit rates are higher in the Netherlands, claimants there have three years to repay loans compared with the 18 months proposed in Britain and there are clear rules and an independent appeals procedure in the Dutch system.

The Social Fund: Will It Work? Richard Berthoud in Policy Studies Vol 8 Part 1. £4. Social Loans in the Netherlands. £4.95. Policy Studies Institute, 100, Park Village East, London NW1 3SR.

Fleet Street revolution leading to profits surge

BY RAYMOND SNODDY

THE FLEET STREET revolution is producing a profits surge for the national newspaper industry, a stockbroking study has found. It predicts that by next year the industry will be five times more profitable than last year.

Mr Derek Terrington, publishing analyst at Phillips & Drew, the stockbroking firm, forecasts that by 1978 national newspapers will have revenues of £1.65bn and pre-tax profits of £205m.

That compares with profit of £32m on a turnover of £1.29bn in 1984 and £79m on revenues of £1.5bn last year, when Today was launched and Mr Rupert Murdoch moved four titles to Wapping in London's Docklands.

More than 11,000 job cuts have been announced out of a workforce of 30,000, and by next year the industry will have spent £1bn on new plant and redundancies. Further cuts over the next 18 months might bring profit margins up to 15 per cent.

"This figure is less than exotic, but it is five times what the industry is used to and brings national newspapers up to the levels of the best-managed regional newspaper groups," Mr Terrington argues.

National newspapers have maintained a consistent 16.5 per cent share of total advertising spending over the past decade, while real spending on advertising has increased.

The job cuts, however, have produced savings of more than £250m on the 1986 revenue base of £1.5bn.

● The Daily Telegraph will be trading profitably by the final quarter of this year, according to Mr Andrew Knight, chief executive.

The group lost £21m in the last nine months of 1986 after providing for redundancy payments of £24m and £14m credit from the sale of Reuter shares.

The company's year end is being changed to synchronise it with Hollinger, Mr Conrad Black's company, which controls nearly 58 per cent of the Daily and Sunday Telegraph.

Life assurance group buys £50m property portfolio

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

SCOTTISH AMICABLE Life Assurance has bought a £50m portfolio of office, retail and warehouse properties in London's West End and in the south-east for £50m.

Its move does not conform to the general trend of property investment by insurance companies and pension funds, which during the first quarter of this year amounted to £39m.

Scottish Amicable is, in fact, increasing its property investment this year to £150m from £90m in 1986. Mr David Hunter, property manager, said: "We believe property is undervalued at the moment compared with alternative forms of investment."

In the portfolio, bought from an unspecified seller, there are two West End office properties valued at £19m. But Mr Hunter noted that although investment opportunities in the West End crop up from time to time, the greatest undervaluation is outside London.

Scottish Amicable has held its property investments steady in recent years to 10 per cent of its total investment portfolio. Last year, according to the Investment Property Databank, the insurance companies and pension funds put 5.1 per cent of their investment funds into property.

The group is now arguing that property is cheap compared with equities, which recently have absorbed over 40 per cent of institutional investment.

It noted in its latest investment report that property traditionally performs well relatively late in the economic cycle. Further, said Scottish Amicable, property has provided and is likely to continue to provide a stable real rate of return of 4 per cent to 5 per cent a year.

New car sales surge follows election result

BY JOHN GRIFFITHS

UK NEW CAR sales "have gone crazy" in the wake of the general election, Ford said yesterday. The company was commenting on a surge in the last two weeks of June that lifted total sales for the year's first half to more than 1m for only the second time in the industry's history.

However, the first time 1m was exceeded, in 1979, was a "freak" occurrence resulting from buyers rushing to beat an increase in VAT from 8 per cent to 15 per cent. The market fell substantially in the second half of that year.

Ford said that if current sales momentum was sustained it expected a record UK new car market, for the third successive year, of 1.92m units. Last year's record was 1.88m. In 1979, sales, then a record, were 1.79m.

However, predictions in some industrial quarters that this year's surge in August—when the E prefix is introduced—might lead to 400,000 sales for the first time in a single month, are being increasingly discounted.

Ford, the market leader, said its Sierra/Sapphire at least was likely to be in short supply. That was because of sharply increased demand for the models—which led the "top 10" list of best sellers last month—and the slow rate of climb in production of the Sapphire, launched only in the spring.

Austin Rover has hinted that it, too, may have some models temporarily in short supply as a result of gearing production more closely to underlying demand levels.

UK CAR REGISTRATIONS

	June 1987	%	1986	%	Year to date 1987	%	1986	%
Total market	154,526	100.00	142,696	100.00	1,002,742	100.00	964,706	100.00
UK produced	73,678	47.68	62,754	43.98	500,798	49.94	428,230	44.39
Imports	80,848	52.32	79,942	56.02	501,944	50.06	536,476	55.61
Ford	44,435	28.76	41,999	29.43	290,802	29.00	257,921	26.74
Rover group	23,454	15.18	21,229	14.88	157,638	15.72	159,421	16.57
Vauxhall/Opel	17,580	11.38	22,672	15.89	137,873	13.75	154,635	16.03
Peugeot/Citroen	10,121	6.55	9,292	6.51	67,763	6.76	59,641	6.19
Audi/VW/Seat	9,269	5.99	9,098	6.38	61,530	6.13	62,467	6.48
Nissan	12,183	7.88	8,834	6.19	50,329	5.02	50,734	5.26
Renault	7,230	4.68	6,016	4.22	41,140	4.10	35,172	3.65
Volvo	4,789	3.10	3,295	2.31	36,518	3.64	35,513	3.68
Fiat/Alfa/Lancia	6,324	4.09	5,091	3.57	36,351	3.63	33,881	3.51

Source: Society of Motor Manufacturers and Traders

In the circumstances, it appears unlikely that there will be a discounting spree in the August run-up. Ford said incentives were at the lowest for a long time.

Statistics from the Society of Motor Manufacturers and Traders showed sales in June to be up 8.29 per cent on the year-ago month at 154,526. They brought the year-to-date total to 1,002,742, up 3.94 per cent on last year's first half.

The UK-based manufacturers' reduction of "captive" imports from their Continental plants led to the first-half share taken by imports falling to their lowest level for the period since 1978, at 50.06 per cent.

First half "top 10 sellers": 1 Ford Escort, 88,962, 2 Ford Fiesta 77,400, 3 Ford Sierra 67,771, 4 Rover group MG Metro 57,316, 5 Vauxhall Cavalier 52,620, 6 Vauxhall Astra 42,996, 7 Ford Orion 34,683, 8 Rover Group Montego 30,695, 9 Rover 200 25,861, 10 Rover group Maestro 23,025.

Record rent to be paid for US investment bank HQ

BY PAUL CHEESERIGHT,

DREXEL Burnham Lambert, the US investment bank, is to establish its London headquarters on the eastern fringe of the City and will pay what is believed to be a record rent in doing so.

The building, in Alie Street, is costing Winglaw Developments £27.5m to construct. It will be handed over to Drexel in May 1988. Drexel will fit the building out to its own requirements and pay a rento f £35 a sq ft.

That is thought to be the first time that a leading financial institution has taken premises in this part of the City. Traditionally it has been the home of shopping, commodities and insurance companies.

The move emphasises the expansion of the City. But hitherto financial institutions unable to find space in the City itself have tended to move westwards, south to the other side of the River Thames, or north to the Finsbury Square area.

Letting of buildings before they are completed, in the way Drexel has done, has become increasingly common as tenants have struggled to find space.

Tourist drive co-ordinated

LEADING COMPANIES in Britain's tourist industry yesterday combined forces to co-ordinate computerised reservation and other systems to make the British tourist drive more effective, writes David Churchill.

The companies — including British Airways, Utell International, and British Telecom—have formed a group called Access to put British companies in touch with worldwide distribution networks and customers' needs.

Hillsdown picks deputy head

By Nikki Tait

HILLSDOWN HOLDINGS, the acquisitive food and furniture group, announced yesterday that Mr John Jackson, its finance director, is to become deputy chairman from January 1 next year.

Mr Jackson joined Hillsdown in 1977, having audited one of its subsidiaries—and was the first director of the group, then embryonic, apart from the co-founders, Mr David Thompson, and Mr Harry Solomon, Mr Thompson's solicitor.

Mr Jackson's role as finance director will be taken by Mr Kevin O'Sullivan, finance director of Christie-Tyler, the Welsh furniture manufacturer, which Hillsdown purchased via an agreed bid in 1985.

The board appointments follow Mr Thompson's decision last April to step down as joint chairman of the company, halve his stake to 15 per cent and to take a non-executive board role.

IF YOU GET INTO BED WITH A VENTURE CAPITAL COMPANY, WILL THEY SHARE YOUR SLEEPLESS NIGHTS?

Nobody said running your own business was going to be easy.

But just because it's a hard job, doesn't mean it has to be a lonely one.

In fact, if you're in a growing business, there will be no shortage of people who want to get into bed with you. Like Venture Capital Companies, for example.

But the trouble is that most of these only want to "sleep", once they've got into bed with you. They're sleeping partners, who won't lend you a sympathetic ear when the going gets rough.

They won't be able to offer you helpful advice, either. In fact, all they will want to share are your profits.

But, at Midland Montagu Ventures, we see ourselves as true business partners. As part of that commitment, we usually offer one of our team as a non-executive director on your board. He'll have the business experience and back-up to help you at all stages of your development, and the willingness to get closely involved.

So, if you'd like to hear more, call Roger Heath or Ian Taylor on 01-638 8861, or write to us at 47 Cannon St., London EC4M 5SQ. It needn't be lonely at the top. Not if you talk to the right people on the way up.

MIDLAND MONTAGU

Midland Montagu Ventures

Ridley steers poll tax past Tory critics

BY PETER RIDDELL, POLITICAL EDITOR

THE PROPOSED replacement of domestic rates (local property taxes) by a universal community charge received qualified support, with only limited outright opposition, at a packed meeting of Conservative MPs *last night*.

Well over 100 Tory backbenchers questioned Mr Nicholas Ridley, the Environment Secretary, and Mr Michael Howard, Local Government Minister, for nearly two hours at a private meeting of the backbench environment committee.

The proposed introduction of the community charge payable by all adults has become the most contentious internal Conservative Party issue at Westminster.

This was underlined by the unusual length of last night's meeting, the high attendance and the presence of several former Cabinet ministers.

Nicholas Ridley: no hint of concessions

Strong opposition came from the expected, though relatively small group, including Mr Michael Heseltine and former junior environment minister Sir George Young. Otherwise, one participant said the tone was generally supportive of reform in principle, though questioning about the detailed impact.

There was apparently some vocal support for suggestions that education, and in particular teachers' pay, should be taken out of local authority budgets, of which they form a sizeable proportion, and should be handled centrally.

This is a long-standing proposal, and Mr Ridley pointed to the difficulties of merely transferring the cost to the Treasury.

Mr Ridley gave no hint of any significant concessions, noting that the proposal had featured prominently in the Conservative manifesto and was both fairer and would strengthen local accountability more than any alternative, including the retention of the present system.

In response to questions, Mr Ridley said there would be safeguards in the transitional period but indicated that no decisions had been taken about either the length of phasing-in or the extent of any safety-net provisions.

Tory MPs were apparently divided on the nature of the transition, some arguing for a longer period and others saying that it was better to get any problems out of the way quickly.

Mr Ridley and Mr Howard will now consider these points, along with the analysis of the Government's parliamentary managers, suggesting that there is a hard-core of about 12 opponents, with perhaps 20 to 25 dubious, depending on the detailed provisions.

Ministers hope to reach decisions on the nature of the transitional arrangements by the end of this month, so the legislation can be drafted during the summer and early autumn.

SCARGILL ATTACKS MOVE TOWARDS LOCAL DEALS ON FLEXIBLE WORKING

Unions accept British Coal's 6-day offer

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH COAL has accepted approaches from three unions, other than the National Union of Mineworkers (NUM), willing to introduce six-day production at the £90m mine planned at Margam, south Wales, Sir Robert Haslam, the corporation's chairman, said yesterday.

This disclosure of the first official contacts between the corporation and the Transport and General Workers' Union, the EETPU electricians union and the breakaway Union of Democratic Mineworkers (UDM), intensifies the dispute over union organisation for the planned mine.

Mr Arthur Scargill, president of the NUM yesterday told the union of the "dangers" of a fragmented response to British Coal's refusal to negotiate nationally over plans to introduce flexible shift patterns to allow six-day production.

Speaking at the opening of the *union's annual conference at Rothesay*, Scotland, he said the union would be playing into the corporation's hands by concluding local agreements on flexible working.

The proposals were part of the corporation's long-term strategy for the industry, aimed at weakening the union. The strategy included the introduction of new technology, production incentive schemes, a move to local collective bargaining and the introduction of flexible shift patterns.

Mr Scargill said that British Coal would first attempt to negotiate the introduction of flexible working with local areas of the union. If this failed the corporation would seek to reach agreement with branches at particular pits and eventually bypass the union altogether by appealing directly to the workforce.

As yet, only the South Wales NUM has engaged in local negotiations over six-day production, for the mine at Margam. However, the Leicestershire, Scotland, Yorkshire, and Durham areas, are expected to come under increasing pressure to agree to flexible working patterns to ensure planned major investments go ahead.

Clearly anticipating the forces this could generate within the union, Mr Scargill said no area or *branch should discuss, negotiate, or* agree, to get any concept which would breach a national agreement. The conference is expected to endorse his position and call for a national ballot on flexible working patterns in a debate this afternoon.

Sir Robert, speaking on BBC Radio, said that if the NUM did not go along with the six-day production plan the corporation would turn to one of the other unions. The increased pressure from the corporation makes it more likely that the South Wales NUM will co-operate with the Margam plans in spite of a conference vote against six-day production.

He accused Mr Scargill of "grossly misrepresenting" British Cal's proposals. "Contrary to Mr Scargill's allegations, we have no general plans to introduce six-day coaling operations at all our mines", he said. Rather than shedding jobs, flexible working might save some collieries that would otherwise be uncompetitive.

IBM severs link with League

BY JIMMY BURNS

IBM UK, the British arm of the world's largest computer company, said yesterday that it had ceased to use the services of the Economic League, a free enterprise organisation which provides companies with information on potential employees.

Confirmation of the move came a week after the disclosure that IBM UK had paid £5,000 to the League for services including the vetting of applications of prospective employees to insure that they were "bona fide".

However, IBM UK denied a report that its decision to break its links with the League was connected with the adverse publicity surrounding the organisation as reported in Datalink, a leading specialist newspaper on the computer software industry.

The company said that it decided not to renew its subscription to the League after it had lapsed in June because it considered that the company's existing pre-employment procedures were sufficient to meet its business needs.

The Economic League, which is taking legal action against Datalink, said: "Most large companies in most major sectors of industry are *on our membership list*."

The League focuses its work on alerting its members to people it believes politically motivated and posing a threat to the smooth running of free enterprise.

Closure threat before newspaper takeover 'a bluff that worked'

BY IVOR OWEN

THREATS to close the Today newspaper if the takeover bid by Mr Rupert Murdoch, head of News International, had been referred to the Monopolies and Mergers Commission, were described as a "bluff that worked" by Mr John Smith, Labour's trade and industry spokesman, in the House of Commons last night.

His call for a strengthening of the 1973 Fair Trading Act was supported by Mr Jonathan Aitken (Conservative) who traced its crucial weakness *to the decision taken by* Mr John Biffen, when Trade Secretary, not to refer Mr Murdoch's acquisition of the Sunday Times to the commission.

Mr Aitken contended that "Biffen's law" had allowed three successive newspaper acquisitions to escape reference to the commission and he gave a warning that until the 1973 Act was strengthened it would remain in "disrepute". In the meantime, he said, the only logical solution was to give Mr Murdoch a "free pass" and have done with it.

Mr Kenneth Clarke, chief spokesman of the Department of Trade and Industry in the Commons, said that the board of Lonrho, the former owners of Today, had passed a resolution stating that unless consent was given to Mr Murdoch's takeover of the paper by midnight on July 1 it would be closed "forthwith".

He said this had been taken into account by Lord Young, the Trade and Industry Secretary, "as rather a crucial piece of evidence" in deciding whether urgency was involved but there was no question of a "deadline" having been imposed.

This disclaimer was received with scepticism by a number of MPs on both sides of the House and Mr Smith maintained that the trade *and industry secretary had been* subjected to "one of the most imperious, arrogant and impertinent deadlines ever offered to one of her Majesty's ministers."

Mr Smith argued that before consenting to the takeover by Mr Murdoch, who already owned 32.2 per cent of all of the circulation of daily newspapers and 35.2 per cent of all the circulation of Sunday newspapers in Britain, Lord Young should have checked a reported statement by Mr Tiny Roland, Lonrho's chief executive, that there was no question of the immediate closure of Today.

Mr Clarke emphasised that inquiries had been made which established that Today was "hopelessly loss-making" to the extent of more than £500,000 a week.

Social Democrat MPs see prospect of split

BY OUR POLITICAL EDITOR

SOCIAL DEMOCRATIC PARTY (SDP) MPs admitted yesterday that there was now the possibility of a split between the five of them, with one or two remaining independent along with Dr David Owen, the party leader, and the others joining a new merged party with the Liberals.

Dr Owen has said that if the 58,000 SDP members vote for a merger, against his advice and that of the party's national committee, he would remain as a Social Democrat MP.

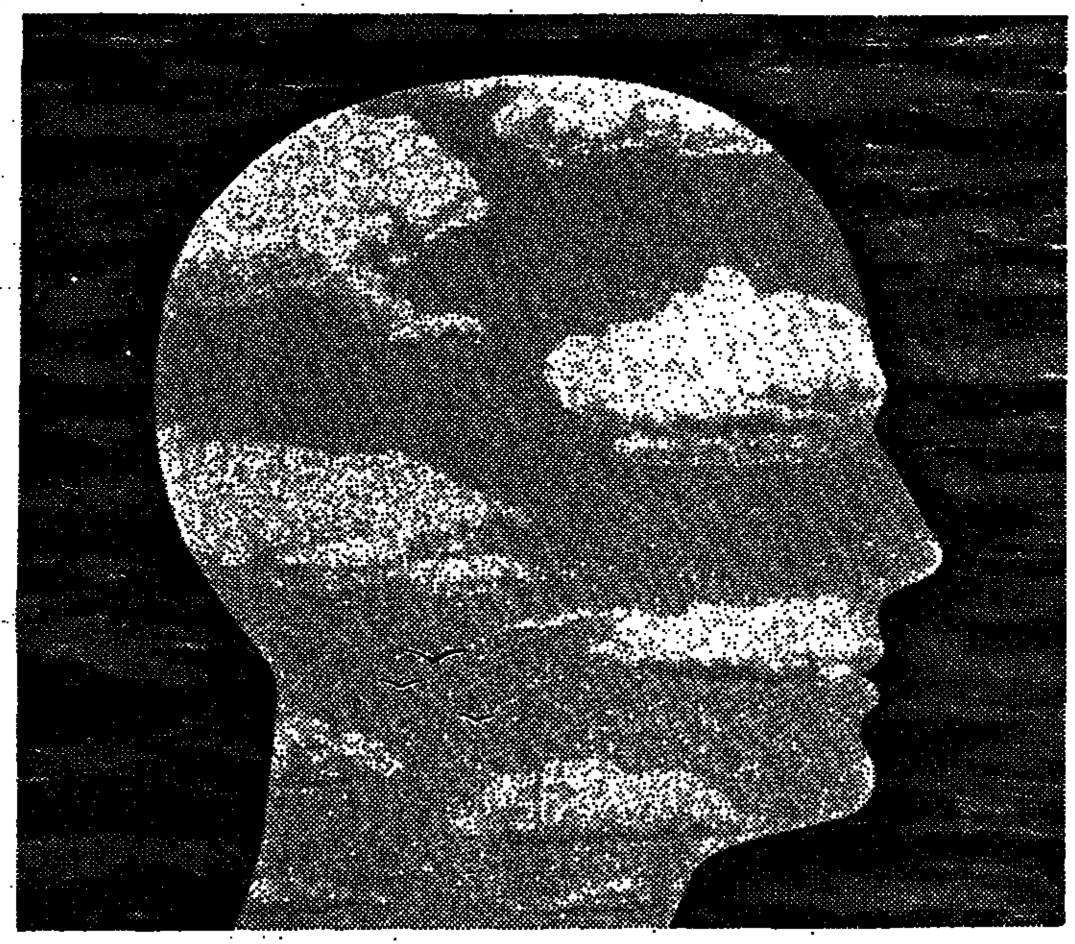
However, Mr Charles Kennedy, the MP for Ross, Cromarty and Skye, yesterday clarified his own position in a letter to members of *the SDP Scottish Council, of which* he is chairman. He said he would be voting in favour of a merger and wished "to see the emergence of a new and united political party."

His concern was that "the message of the SDP and the Alliance should not be lost in a welter of self-indulgent and self-destructive recri*mination*."

Mrs Rosie Barnes, the SDP MP for Greenwich, said on BBC television yesterday that there was a "very distinct danger" that the result could be three parties. She said she would join a merged party if she felt it represented SDP principles and she could still be a Social Democrat within it, but not otherwise.

She claimed there might be a sur*prisingly large* number of members of both parties who would not want to join a merged party

Olivetti announces the PCs that respect your right to make your own decisions.



The arrival of the personal computer revolutionised the way businesses were run, bringing speed and efficiency that were previously unthinkable.

That revolution, like all technological revolutions, was producer-led. But the world since the revolution has changed. Business accepted and exploited the new technology. It invested in it, often heavily. The business customer today is literate in the new technology, and is articulate enough clearly to communicate his needs. Olivetti believes that the responsible producer should listen to him.

Systems evolution

A major evolution in recent years has been in the role of the PC itself, from a stand-alone machine into part of a system. And this evolution is closely reflected in Olivetti's approach. For Olivetti, PCs are conceived as the building blocks of a system.

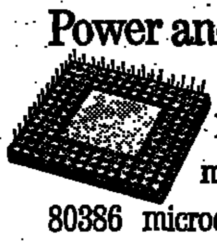
This user requirement for a systems approach has demanded increasingly powerful and sophisticated technology. The consumer has, in a sense, retaken the initiative. How should the producer respond?

Olivetti's view is clear. Today's user is not only technologically literate but also financially committed. Naturally, he expects products that will offer him all the benefits of state-of-the-art technology.

But he also has a right to expect products that will leave him free to enter and structure the system as and when he wants to. He needs a high degree of interconnectibility, workstations that offer the best possible price/performance ratio. And he wants to be free to work with the market standard of his own choosing.

This is what Olivetti has set out to give him with its new PC offering.

Power and flexibility

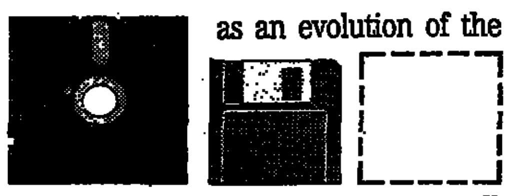


At the top of Olivetti's new PC range will be three models using the powerful 80386 microchip. These will be the fastest, most powerful PCs available, reflecting the trend for the PC to operate as server in local networks that can in *turn* be integrated with minicomputer environments.

These new models range from the M 380/T tower model to the M 380 and the compact M 380/C desktop workstations. The M 380 line will be flanked by a series of new PCs available in a wide range of configurations. These will include the M 280, a powerful and extremely fast personal based on the 80286 chip with the potential for multi-tasking, the S 281, another 80286-based workstation specifically designed to operate in LAN environments, and the M 240, a potent workstation that represents a natural evolution of the highly successful (and widely emulated) M 24.

Compatibility commitment

The new models have been developed as an evolution of the



existing Olivetti PC range. They are all fully compatible with market standards. (They offer, for example, a free choice of 5.25 and/or 3.5 inch floppy disks.) Indeed, it is Olivetti's firm intention to guarantee full compatibility with current market standards. Whatever they may be. The new models will thus take their place alongside Olivetti's existing PCs (including the recently introduced portable M 15) to offer the customer a complete range of choice in planning his systems.

They offer him full compatibility with his installed base, high computing power, integrated, ergonomically valid configurations and a modular approach that will allow him to expand the system exactly according to his needs.

Complete solution

As well as respecting the customer's existing investment, Olivetti is committed to protecting and supporting it in the future.

The completeness of the new Olivetti PC range is matched by the completeness of Olivetti's global offer, which embraces the whole spectrum of PC-related products, from software to printers.

In addition, Olivetti's highly-qualified dealer network and internal staff are at the disposal of clients to assist in interpreting their needs and to provide full after-sales back up service.

The new Olivetti PC offering has thus been conceived to give the user the maximum freedom of choice.

To leave him free to grow and evolve rather than to tie him down.

That is why we see the new Olivetti PCs as the choice of freedom.

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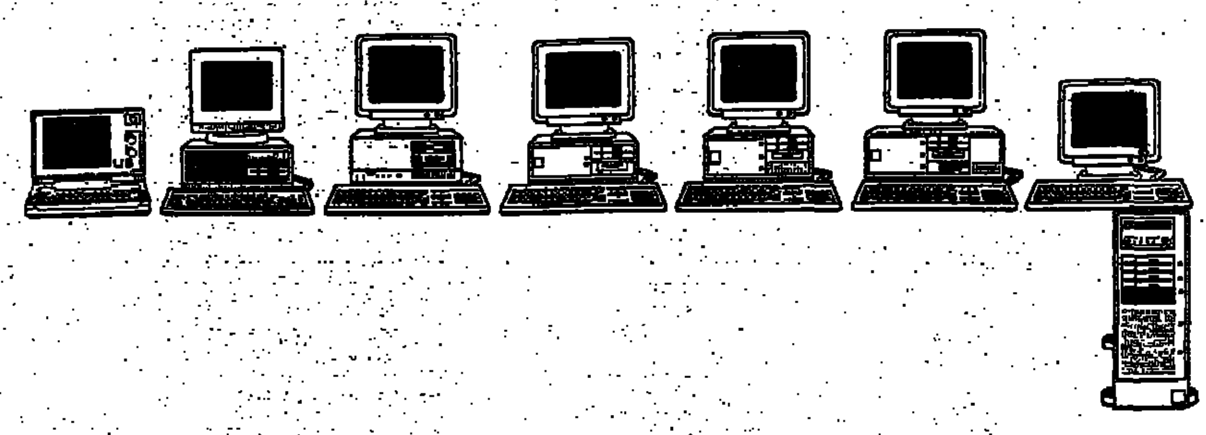

OLIVETTI PERSONAL COMPUTERS. CHOICE OF FREEDOM.

MANAGEMENT: Small business

Welsh Development Agency

Laying down roots

Charles Batchelor on the agency's efforts to nurture enterprise.

HALF AN HOUR'S drive north of Cardiff, up one of the Welsh valleys where for decades the coal pits were the sole employer, you came to the factory where Wyn Holloway, a former carpenter, is gleefully at work undercutting the Far Eastern competition.

Unit 13, on an anonymous industrial estate just outside Tredegar, houses Creative Devices Research, the company set up in 1985 by Holloway and his wife Sandra to make computer joysticks—the hand-held control units used in computer games.

In less than 24 months Creative Devices has grown from nothing into a £3m-a-year turnover business employing 45 people and with plans to recruit a further 95 by the end of the year. Holloway, who cheerfully claims to be computer-illiterate, says he is able to undercut all of his 32 rivals in the field, all of which import from Taiwan or Japan.

He puts this down to negotiating tough (but fair) deals with his suppliers; a bonus scheme devised jointly with his workforce which has cut his reject rate to 0.5 per cent; and a policy of reinvesting in the company to bring as much of the manufacture in-house as possible.

He has also had a fair amount of support from organisations such as the Welsh Development Agency. It helped him raise £25,000 of start-up finance, a £400,000 second round of funds and found him factory space. The WDA also advised him to strengthen his overstretched management team as a priority and Holloway recently brought in a general manager and a financial controller.

David Waterstone, the agency's chief executive, is not surprised at Creative Development's ability to beat the tough Far Eastern competition.

"If companies like Sony can achieve higher productivity and lower labour costs in Wales then there is no reason why a local company, if properly managed, cannot beat the Taiwanese," he says.

But why should organisations such as the WDA devote so much energy to high risk start-ups by men like Holloway who, at first sight, have little to recommend them as budding entrepreneurs?

In part, it is due to the fact that Wales now shares the increased appreciation throughout Europe of small businesses as creators of wealth and jobs. More importanly, like many other regions which have welcomed foreign investors, only to see them pull out again when conditions no longer suit, the Welsh want to back enterprise which has deeper local roots.

But promoting enterprise has not been easy. South Wales has a history of dependence on large scale industries like coal, steel and the docks. Like other industrialised parts of Britain there is no tradition of self-employment on which to build.

The statistcs bear this out. With just 243 company starts a year for every 100,000 head of population Wales rates eighth of the 11 UK regions, according to Department of Trade and Industry figures. The South-East leads with 342 while the countrywide average is 287. There were only four Welsh companies among the 343 which joined the Unlisted Securities Market in its first three years to 1984.

> A self-employment programme has now reached 70 per cent of secondary schools in Wales

To counter these disadvantages the Welsh have set up a wealth of business support agencies alongside the long-established Welsh Development Agency.

The WDA now devotes about two-thirds of its £90m budget to small firms, though deciding precisely which type of company benefits from some of its factory building, land reclamation and promotional activities is difficult. Certainly about £7.5m of its £9m of direct investment in companies goes to small firms, says Stephen White, executive director of its investment division.

In the longer term the agency hopes to create a stronger enterprise culture in the region with a programme aimed at teaching sixth-formers how to run a business.

"The idea is to make them aware of what self-employment is," says Corris Thomas, the WDA's business development director. "This programme has now reached 70 per cent of all secondary schools in Wales and some have made it a compulsory subject."

Much of the day-to-day work in promoting small business is carried out by the 13 enterprise agencies in Wales. Cardiff and Vale Enterprise Agency recently recruited a team of three advisers to help small firms with marketing and it plans to set up a business advice service for the under-26s.

The agency started out by trying to help innovative new companies but found itself overwhelmed by the demand and has handed this area over to the South Wales Business and Innovation Centre (BIC), which is being set up with European community support.

High-tech ventures will enjoy a strong degree of support once the BIC is fully operational in November. The South Wales centre, like its counterparts elsewhere in Europe(this page June 23), aims to identify and help launch between 10 and 15 new high-tech companies a year.

It will work closely with two other organisations; the Cardiff Business Technology Centre, which will offer high quality premises and support to up to 35 small companies when it is completed next January, and Wintech, the WDA's own technology advice arm.

But if advice is available in plenty, finance remains the bottleneck for many Welsh business ideas. The venture capital industry, with its strong bias to south-east England, has signally failed to do much for Wales.

"Apart from ourselves and 3i (Investors in Industry) there is no other source of venture capital in Wales," complains White. "Venture capital tends to be invested within an hour's drive of the source of the funds and we are too far from London." To meet the gap for small amounts of equity funding the WDA launched the Welsh Venture Capital Fund in January 1985. It has invested two-thirds of the £5.5m available in a dozen companies and expects to raise a similar amount of money later this year.

One of the companies it backed is West 'n' Welsh, a home improvements company set up in 1983 by Alan Peterson, a former manager at Alcan, the aluminium producer, and John Mason, who had left Anglian Windows. West 'n' Welsh has grown fast, reaching turnover of £6.9m in 1986-87 and providing jobs for 240 people, including a large number of self-employed salesmen and installers.

Wyn Holloway: tough competitor

Peterson and Mason both came from Wales but decided to set up in the region in the belief it was an area where they could soon establish a strong market position. They now claim to be number two in their sector and are expanding by acquisition into the Home Counties.

Despite their professional management background they ran into a fair degree of scepticism with their business idea. "Everyone said we couldn't set up a double glazing company at the end of a recession," notes Peterson. "Even the WDA said 'anything but double glazing', but after looking at our track records they backed us."

The WDA has also launched "The Cardiff Consortium", a group of six venture capital companies, including Charterhouse, Citicorp and Welsh Venture to provide syndicated finance.

Despite the problems faced by small firms in the region it is not without its attractions, particularly for companies in the crowded south-east of England.

Metpost, a supplier of steel supports for garden fences, moved from Maidenhead, Berkshire, to Cardiff in 1978. Derek Mills, the founder and managing director, says he could find neither an affordable factory nor enough semi-skilled labour in the south-east.

Since moving to South Wales sales have risen to £3.3m and the company now employs more than 100 people. Delivery times to the south-east, the company's main market, are slightly longer but the M4 motorway provides a good road link and the quality of life is higher, says Mills.

But will these companies stay in Wales? West 'n' Welsh is expanding but has its main market in the region while the pressures which persuaded Metpost to leave the south-east have intensified over the past decade. Creative Devices' Wyn Holloway says he has had lucrative offers to move to California but sees no reason to leave South Wales.

The aim of backing the small firm to create a more permanent corporate sector, at least by these examples, appears to be working.

Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff CF1 3XX, tel: 0222 222666; Cardiff and Vale Enterprise and South Wales BIC, Enterprise House, 127 Bute Street, Cardiff CF1 5LE, tel: 0222 494411; Cardiff Business Technology Centre, c/o Economic Development Officer, South Glamorgan County Council, County Headquarters, Newport Road, Cardiff CF2 1XA, tel: 0222 499022.

In brief . . .

FOUR ENTERPRISE agencies in Cambridgeshire have launched a "financial marriage bureau" to bring together entrepreneurs in search of amounts of between £5,000 and £100,000 and local investors.

Pioneered by the London Enterprise Agency in 1980, marriage bureaux aim to fill the gap for relatively small amounts of equity capital which venture capitalists do not find it economic to provide. Recently five agencies in London, Manchester, Aberdeen, Northamptonshire and Kent announced a link-up.

Now enterprise agencies in Cambridge, Huntingdon, Peterborough and Wisbech have established a Cambridgeshire Financial Introductory Service. It will hold meetings and produce a regular bulletin of investment opportunities.

Contact 0223 323553 (Cambridge), 0733 310159 (Peterborough), 0480 50028 (Huntingdon) and 0945 587684 (Wisbech).

●

A DIRECTORY of businesses, services and organisations in London that are run or owned by women has been produced called Springboard '87. Based on the American publication, The LA Women's Yellow Pages, Springboard contains general advice sections for women as well as a commercial directory arranged by more than 290 business categories.

Available £3.95 in bookshops or from Springboard Publishing, PO Box 741, London NW6 4YP (Tel. 01-328 4852) for an additional £1.20 p and p.

Thoughtful ideas that win awards

WITH SOME of its products worth $9,000 a gram and with customers setting demanding delivery schedules, Celltech, the Slough-based manufacturer of biotechnology products, has used Concorde to supply the US market from the UK.

Celltech, which exports 95 per cent of its sales, was one of the five joint-winners of this year's Export Award for Smaller Businesses anounced last week. The five make widely differing products, but common to their approach was a well thought-out programme for developing export markets.

For a company like Celltech, producing expensive advanced technology products, export markets were key to its expansion from the start. It now claims to be world leader in the field of monoclonal antibodies, used in the diagnosis and possible treatment of cancer, and sells into the US market against competition from about 10 American companies.

"We spend a lot of time on aircraft going to see people," says Nick McCooke, sales manger in charge of a 20-strong sales and marketing department. "And we have to be on top of the shipping side. We are making perishable products which have to reach our customers to meet their own programmes of pharmaceutical trials. We also have to help them apply for the import licences.

The other joint winners were:

● C and K Software, of Chard, Somerset, which has increased exports eight-fold over the past three years. Set up in 1983 and with a present staff of nine it supplies mainframe computer software to improve productivity within IBM or IBM-compatible networks. It began exporting to the Continent in 1985 and to the US last year.

● Dent Instrumentation, of Colne, Lancs, has a workforce of 12 making electronic systems to detect breaks in yarn in textile factories. Exports rose 15-fold between 1984 and 1987 and now account for 96 per cent of turnover.

● Anyspeed, of Telford, Shropshire, makes electronic equipment to control the speed of electric motors. Set up in 1980 it began exporting three years ago and foreign sales now account for 60 per cent of turnover.

Keith Ryan, managing director, puts its export success down to a large investment in communications technology to handle customers' enquiries, a commitment to overseas exhibitions and regular contact with agents and distributors.

● Messrs C. Anderson began life in 1972 as a small fish-processing factory in a back street in Peterhead, Grampian. It set out with a research and marketing programme to establish a foothold on the Continent in 1984 and by 1986 was exporting £2.7m worth of fish products—38 per cent of total sales—to France, Spain, West Germany and Portugal.

A total of 277 companies entered for the award. To be eligible companies must employ fewer than 200 people, have increased export earnings in the previous two years and be selling at least £100,000 worth of products or services overseas in the second year.

CHARLES BATCHELOR

Small companies prefer to make things

THE GROWING regional imbalance between the south-east of the country and the north is confirmed in a recent survey* of successful small firms.

The south-east had the largest number of successful—that is, fast-growing—small firms, those with turnover (in 1983) of less than £3m per head of population. Not only did the north have the fewest, it was also the region where the largest number of small firms was taken over—reducing the indigenous population of successful small businesses.

These findings emerge from a survey of the 6,792 small companies which grew by 15 per cent a year between 1983 and 1986 and are taken from a larger sample of 320,000 small firms tracked by Dun and Bradstreet, the business information group.

One surprising finding of the survey was the fact that while manufacturers now represent only 9 per cent of all UK companies, among small companies the figure is 34 per cent.

This may reflect the fact that small businesses prefer making things to providing a service or to the recent shake-out of manufacturing industry which has meant that those that remain are particularly strong, the report says.

The employment picture painted by the survey showed that most successful small firms employed fewer people in 1986 than they did in 1983—with the exception of companies in the services sector.

The bank with the largest (30 per cent) share of the market of successful small firms turned out to be Barclays, though a significant 17 per cent did not bank with any of the big four clearing banks.

**The Trends Top 7,000 Small Firms, Trends Business Research, PO Box 1BR, Emerson Chambers, Blackett Street, Newcastle upon Tyne, NE99 1BR. £63.25.*

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FT LAW REPORTS

No limitation on deck-hand's claim

McDERMID v NASH DREDGING AND RECLAMATION CO LTD

House of Lords (Lord Bridge of Harwich, Lord Hailsham of St Marylebone, Lord Brandon of Oakbrook, Lord Mackay of Clashfern and Lord Ackner): July 2 1987

WHERE AN employee is required to work on a ship which is not owned by his employer, and to take orders from the master who is not his employer's servant, the employer is fully liable for *personal injury caused to him* by the master's failure to operate a safe system of work, in that an employer's duty to provide a safe system cannot be delegated.

The House of Lords so held when dismissing an appeal by Nash Dredging and Reclamation Company from a Court of Appeal decision that it was fully liable for injury caused to its employee, Mr A. P. McDermid, while working on a tug owned by its parent company.

Section 3 of the Merchant Shipping (Liability of Shipowners and Others) Act 1958 provides: "(1) The person whose liability in connection with a ship is excluded or limited by Part VIII of the Merchant Shipping Act 1894 shall include any charterer and any person interested in or in possession of the ship, and, in particular, any manager or operator of the ship. (2) In relation to a claim arising from the act or omission of . . . master . . . in the course of his employment . . . (a) the persons whose liability is excluded . . . shall also include the master . . ."

LORD BRANDON said that on June 22 1985 Mr McDermid aged 18, suffered a serious accident while working as a deck-hand on a tug called Ina in a fjord at Lulea in Sweden. His left leg was so badly injured that it had to be amputated.

Nash was a wholly-owned subsidiary of a Dutch dredging company, Stevin Baggeren BV. In June 1975 Nash and Stevin were engaged together in dredging operations in the fjord for the Swedish government.

The dredger was moored offshore and Ina, owned by Stevin, was used in the operations. There were two tug masters, each of whom worked a 12-hour shift. One was employed by Nash, and the other, a *Captain Sas*, was employed by Stevin.

At first Mr McDermid worked on the dredger for a few days. Then he was transferred to Ina. His task was to keep the deck clean and tidy, and to see to the tying up and untying of the tug. He was to give two knocks on the side of the wheelhouse to indicate to Captain Sas that the ropes were on board.

On June 22 the tug was tied up to the dredger. Captain Sas signed to Mr McDermid to untie the ropes. As he was doing so, Captain Sas put the engine astern prematurely. The rope was round Mr McDermid's left leg and he was pulled through the bollard into the water.

Mr McDermid sought to establish liability against Nash on grounds that the accident was caused by Captain Sas's negligence, for which Nash was vicariously liable; and that it was caused by Nash's negligence *in failing to provide* a safe system of work.

Mr Justice Staughton rightly found that Captain Sas was negligent in putting the tug astern prematurely, and that the accident was caused by his *negligence.*

On the question of vicarious liability, he said that Nash in effect instructed Mr McDermid to work under Captain Sas, making Captain Sas the boss through whom its orders reached him. As between Mr McDermid and Nash, he said, Captain Sas must be taken to have been Nash's servant.

He found that the system of work was not unsafe, but decided that the claim succeeded against Nash on the ground of vicarious liability for Captain Sas's negligence.

Nash contended that if it were liable, it was entitled under the Merchant Shipping Acts, to limit the amount to £43,893.

The right to limit liability for certain occurrences, including accidents causing personal injury, was given to shipowners by section 503 (in Part VIII) of the Merchant Shipping Act 1894. That right was extended to persons other than shipowners by section 3 of the Merchant Shipping (Liability of Ship*owners and Others) Act 1958.*

Mr Justice Staughton, having decided that Captain Sas was taken to have been Nash's servant, held that Nash was entitled to limit its liability under sector 3 (2) (a) of the *1958 Act, on the ground that the* claim arose from Captain Sas's act or omission when he was Nash's servant.

Mr McDermid appealed against the decision that Nash was entitled to limit its liability. *Nash cross-appealed against* the decision that it was liable at all.

The Court of Appeal did not accept that Captain Sas was to be taken as Nash's servant. It concluded that Captain Sas, at all relevant times, remained the servant of Stevin.

Lord Justice Neill, giving the judgment of the court, said the *question was whether Nash was* in breach of the personal duty of care it owed to Mr McDermid. He said there was scope for a finding that the system of work used by Captain Sas was not safe because it relied largely on a sound signal which might be confused with one of many other noises heard during dredging operations.

He concluded that where a plaintiff sued in respect of injuries received in the course of his employment while working where he was required to work, the only satisfactory approach was to look at all the *circumstances in the light of the* fact that it was the employer's basic duty to take reasonable care not to subject employees to unnecessary risk.

The Court of Appeal decided the issue of liability in favour of Mr McDermid, not because it took Captain Sas to have been Nash's servant, but because he was the person *entrusted by Nash with* performing its duty to take reasonable care for Mr McDermid's safety.

Lord Justice Neill said that under the 1894 and 1958 Acts Nash could only limit its liability if it fell into one of the following categories: (1) owner of the tug, (2) charterer of the tug, (3) a person *interested in the tug,* (4) a person in possession of the tug, (5) manager or operator of the tug, (6) master of Captain Sas.

The court took the view that Stevin was Captain Sas's master, and that Nash was not. Nash did not fall into any of the other categories. Accordingly, it was not entitled to *limit its liability.*

Mr McDermid's appeal was allowed, and Nash's cross-appeal was dismissed. The case was remitted to Mr Justice Staughton to assess the full amount of damages. He assessed *them at £178,450, including* interest.

On the present appeal from the Court of Appeal decision, the primary issue was whether Nash was liable to Mr McDermid at all.

Captain Sas was a t all times the servant of Stevin, not of Nash. The real question was whether Nash was in breach of the duty of care which it owed to Mr McDermid in not devising and operating a safe system of work. *There was scope on* the evidence for a finding that the system of work was unsafe.

The relevant principle of law was: first, an employer owed his employee a duty to exercise *reasonable care to ensure that* the system of work provided for him was safe; secondly, the provision of a safe system of work had two aspects—(a) its devising and (b) its operation; thirdly, the duty was personal *or non-delegable—its essential* characteristic was that it was no defence for the employer to show that he delegated performance to a person, whether his servant or not, whom he reasonably believed to be competent to perform it.

Despite such delegation the employer was liable for non-performance of the duty.

In the present case an essential feature of the system of work was that Captain Sas would not work the engine ahead or astern until he knew that Mr McDermid had completed unmooring the tug.

There was scope for a finding that the system was not safe. But assuming it was safe, the crucial point was that on the occasion of the accident Captain Sas did not operate that system. He negligently failed to operate it.

For that failure Nash, as Mr McDermid's employer, was personally, not vicariously, liable to him.

In order to suceed on limitation of liability, Nash had to bring itself within the six categories of persons specified by Lord Justice Neill.

On the footing that Captain Sas was not to be taken as Nash's servant, it could not bring itself within category (6). Nor could it bring itself within any of the other categories.

It was submitted that Nash came within (3) as a "person interested in" the tug.

That expression, as used in *section 3(1) of the 1958 Act,* meant a person having a legal or equitable interest in the ship. The whole legal and equitable interest in Ina was in Stevin. There was no substance in the submission.

Their Lordships agreed. The appeal was dismissed.

For Nash: Walter Aylen QC and David Melville (Mackrell & Co).

For Mr McDermid: Alan Tyrell QC and Roger Shawcross (Penningtons Ward Bowie for Woodford & Ackroyd, Southampton).

By Rachel Davies
Barrister

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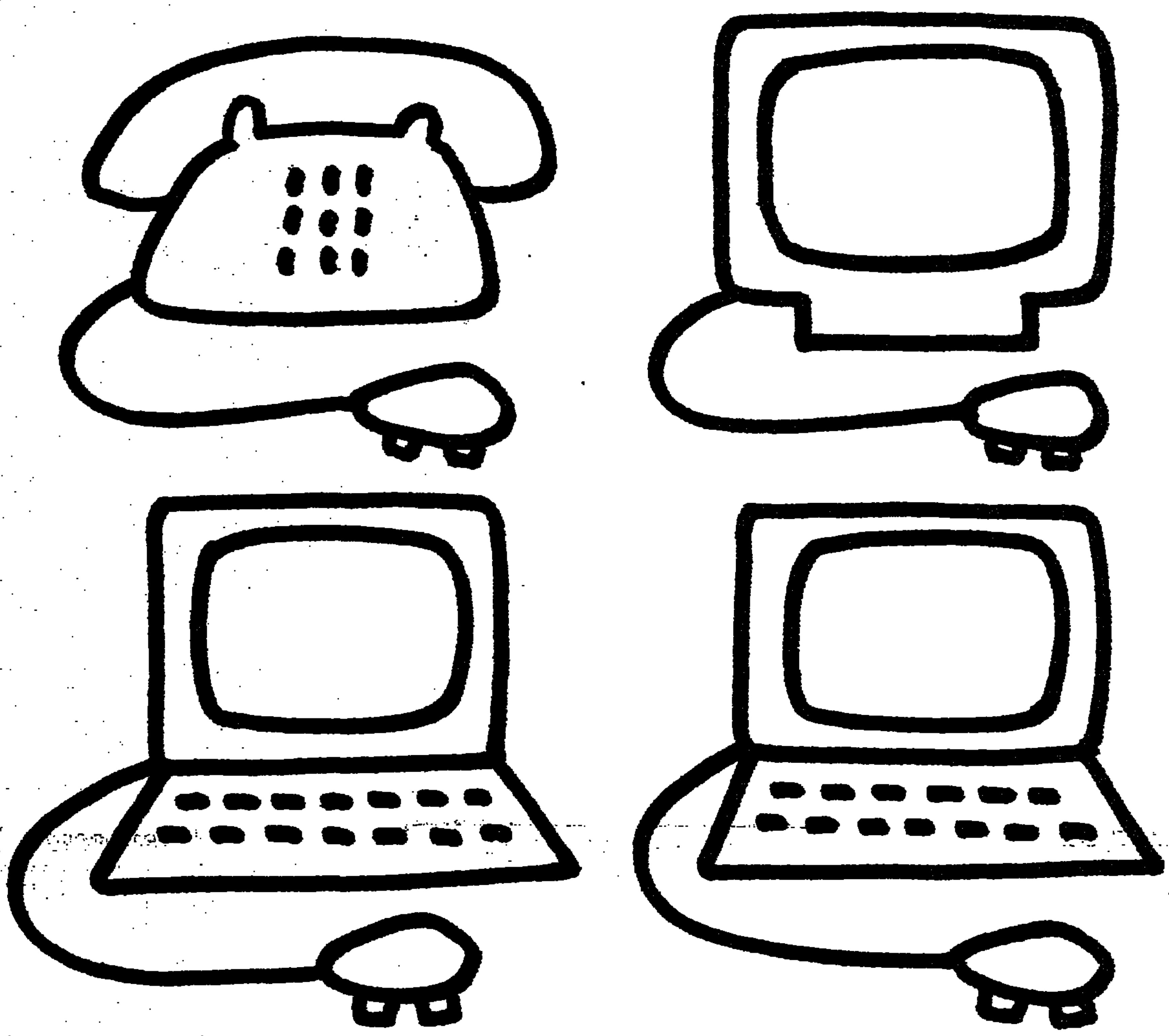

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WHAT SHOULD THE BANKS GET INTO?

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FINANCIAL TIMES SURVEY

Economic crisis and political volatility faced the country until just over a year ago. Mrs Gro Harlem Brundtland's minority Labour government, however, has confounded the sceptics—even the foreign exchange markets are impressed. Norway still faces a bumpy ride, though, reports **Kevin Done.**

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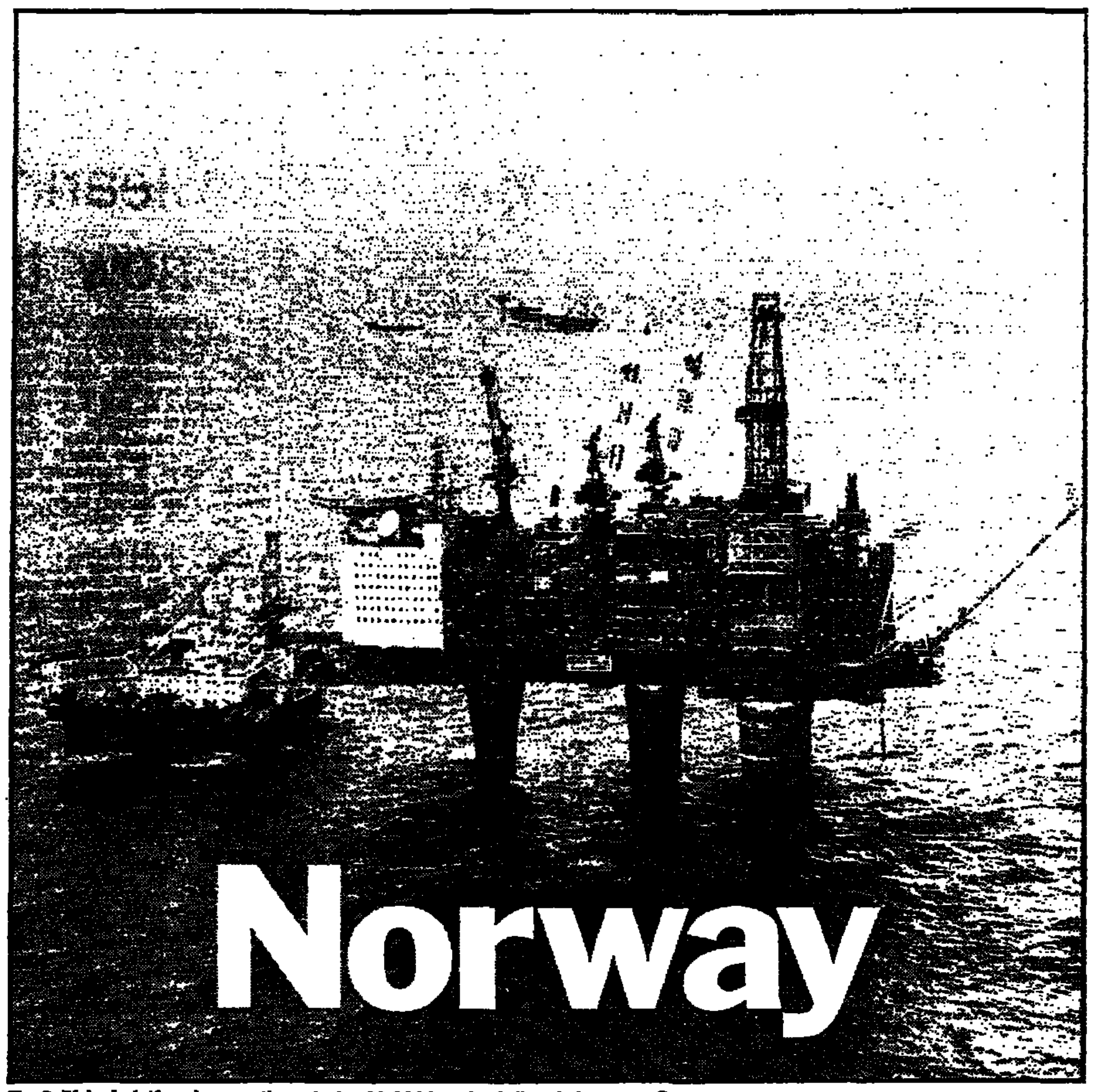


The Gullfaks A platform is currently producing 80,000 barrels of oil each day—see p3

Saved by luck and judgement

IT COULD HAVE BEEN *much* worse. Little more than a year ago Norway was heading into its worst economic crisis for many years, at a moment in its history when the political outlook had seldom looked more uncertain.

The three party centre-right coalition Government, led by Mr Kare Willoch, the Conservative Party leader, had collapsed at the end of April. This was as it made its first tentative and belated attempts to tighten economic policy in the face of an uncontrolled boom in private consumption. It was at the same time, too, as a collapse in oil prices which had knocked away the main prop to the country's external economy.

The general election in September 1985 had created a precarious balance in the Storting, the Norwegian Parliament. The three coalition parties, the Conservatives, the Christian People's Party, and the Centre Party, which had ruled Norway since 1982, had the narrowest majority of just one seat over the Socialist Left Party.

The whip hand was given, however, to the unpredictable right-wing anti-tax Progress Party, whose two seats were suddenly of decisive importance in making or breaking any Government constellation.

Under the Norwegian constitution, there is no provision for calling early elections to solve a political crisis, and the country appeared to be condemned to four years of political volatility and changing governments, as the Parliament ran its allotted four-year course to 1989.

In May last year a minority Labour Government was formed under Mrs Gro Harlem Brundtland, but its chances of surviving for more than a few months appeared slim. All four centre/right parties were apparently committed to returning a non-socialist Government to power at the first opportunity.

Mrs Brundtland, a former *medical doctor, who had previously* served briefly as Labour Prime Minister for eight months in 1981, has, however, confounded the sceptics. With a combination of luck and judgement she has kept Labour in office, and at the same time has exploited so successfully the growing divisions between the former coalition partners, as to make Labour appear the only Government capable of steering the country out of its current economic straits.

The Government's new-won authority has begun to impress even the foreign exchange markets. A year ago the prospect of a minority Labour Government taking over, coupled with the apparently intractable economic problems it confronted, had triggered off a *crisis of confidence* in the Norwegian krone. This forced the Brundtland administration to implement a panic 12 per cent devaluation as one of its first acts on taking office.

A year later the foreign exchange markets have marked Mrs. Brundtland's success: last month they foiled a renewed Conservative-led attempt to topple her Government by pushing the krone to its highest levels since the devaluation—admittedly helped by 14-15 per cent interest rates. They even forced intervention by the Bank of Norway to stop the currency appreciating beyond the margins for fluctuation set by the central bank's currency basket.

At the same time, the country's *economic prospects do not* seem quite as dire as they did a year ago, even though Norway still faces a very bumpy ride in the next *few* years. Big imbalances in the external economy and steep rises in prices and costs have left the country badly out of step with its main competitors.

Labour's parliamentary base is still fragile—it faces, after all, a non-Socialist majority. But the dramatic events of recent weeks show that the opposition parties are now badly split. Chastened by their latest fiasco, the former coalition partners will be wary of staging a new challenge to Mrs Brundtland, who can approach the local elections in September with a strong following wind.

Inflation appears to have peaked this spring, the trade unions were persuaded to accept very moderate wage settlements for 1987, and Norway is also enjoying some external help as oil prices develop more favourably than earlier feared. (At the same time, oil and gas production is forecast to rise by almost 50 per cent over the next five to six years, which should bring much needed relief to the battered balance of payments.)

The Conservatives under their new leader Mr Rolf Presthus, the former Finance Minister, had plotted all spring to find an issue on which to topple Labour. "It was very unusual in Norwegian parliamentary life," says Mr Einar *Förde, deputy chairman of the,* Labour Party and its parliamentary leader. "It was a struggle for power by parliamentary means. There was no shooting, but it was as close as you can get to it in Norway."

Ms Kaci Kullman Five, deputy chairman of the Conservatives and deputy parliamentary leader, accepts that "there is no prospect of forming a new government in the near future. Without a special case in future it will be very difficult.

"We showed we were prepared to give up a lot of our programme to form a new gov*ernment. Pressure* was growing in our own party and we had an obligation to our voters to try. But the Centre Party had no will, they did everything to avoid it. Now all three parties have gone back to their own platforms. We have to be prepared for a tough time in the opinion polls now," she says.

By contrast, Mrs Brundtland's authority over the Labour Party has never been greater. (The cabinet is unique in the western world in that eight of its 18 members are women.) Her administration made a shaky start last year, when the party was far from united on the wisdom of taking office at such a difficult moment, but such doubts have since been quelled.

The move has meant a series of sacrifices for the labour movement, however, as the Government has sought to get to grips with the twin problems of a dangerously overheated economy and a yawning deficit in the current account of the balance of payments.

The tightening of budgetary policy means that Labour's ambitious plans for increased public sector spending on health and social services, the platform on which it fought the last general election, have had to be shelved.

Excluding oil and shipping, the Government estimates that the tightening of fiscal poilicy in the 1987 budget is equivalent to about 1.5 percentage points of gross GDP.

For the first time since 1975 there will be a surplus in the budget when petroleum revenue is excluded. At the same time the Government's net petroleum revenue has been cut by around NKr27bn from 1985 to 1987.

Last year's devaluation has been followed by moves to raise direct and indirect taxes, interest rates have been pushed *to a high level and moves* towards higher gross income taxes have begun to make households more sensitive to interest payments.

The Labour Government has also had to be thick-skinned about tolerating inevitable parliamentary defeats along the way, and it is still to be shown how much such punishment the Labour movement is willing to take as the price for staying in power.

For many in the industrial and financial community, however, it now appears that they are getting the best of both *worlds. Firm leadership is* being shown by Mrs Brundtland, but the Labour Party is hindered from pursuing any of the more radical or ideologically-based issues in its programme by its lack of a parliamentary majority.

The trade unions — and not least the Seamen's Union — have for example been forced to go along with the introduction of an international shipping registry based in Oslo, which on point after point followed the wishes of Norwegian shipowners.

The Government's plan for introducing a turnover tax on share trading has equally been rejected by the non-Socialist majority in the Storting, which has also chosen to cut housing subsidies contrary to Labour intentions.

A senior adviser to Mrs Brundtland admits that: "In the long run, being defeated in Parliament on several issues can have a corrosive effect," but he insists that "the mainstream in the labour movement is very much wanting to keep the Government in power."

The non-Socialist parties may *well learn to rue the day that* they ever gave up power to Labour last May, for as the party's standing in the country has been strengthened, so too has Mrs Brundtland's own stature.

With her emotional and often impatient style she had too often appeared at a disadvantage against the rather cool, intellectual Mr Kare Willoch, Conservative Prime Minister from 1981 until the collapse of his three-party coalition last year.

Mr Willoch's decision last summer to return to the backbenches has left the domestic political stage open for Mrs Brundtland, however. Internationally, too, she has been acquiring a growing reputation not least through her chairman*ship of the United Nations* World Commission on Environment and Development, which has become known as the Brundtland Commission. This is as well as through her membership of the Palme Commission, which has dealt chiefly with disarmament issues.

In the vacuum left by the assassination of Mr Olof Palme, it is Mrs Brundtland who appears most likely to become the new Scandinavian voice on the world stage.

Politics

Labour establishes credibility

AGAINST ALL the odds—not least a non-Socialist majority in the Norwegian Parliament—Mrs Gro Harlem Brundtland's minority Labour Government is still hanging on to office. This is more than a year after taking power in the wake of the collapse of the Conservative dominated centre-right coalition led by Mr Kare Willoch, formerly Mrs Brundtland's arch rival.

With local elections due to be held in September as the first concrete test of voters' opinions since the general election in September 1985, the Labour Party has established a degree of credibility and stability, which few thought possible, when it took over the reins of Government in May last year.

At the general election in 1985, Norway was left with a Parliament balanced on a knife edge.

The centre-right coalition consisting of the Conservatives, the Christian People's Party and the Centre Party, which had ruled Norway since 1982, saw its majority over the socialist bloc, Labour and the Socialist Left Party, cut to only one seat.

The whip hand in the new Parliament was given to the unpredictable right-wing Progress Party, led by Mr Carl I. Hagen, whose two seats have now twice proved crucial. The first time was in bringing down the Willoch coalition last year, and the second was last month in maintaining Labour in power in the face of a contrived vote of no confidence from the other non-Socialist parties.

Labour could hardly have chosen a more difficult moment than last May to move into Government. The country was facing its most serious economic crisis for many years, and Mr Willoch undoubtedly thought he was passing a poisoned chalice to Mrs Brundtland.

It was generally accepted that the coalition would soon be back—not least given the non-Socialist majority of three seats in the Storting, the Norwegian Parliament—and that the Labour Party could only be weakened by having to grapple with such deep-seated problems.

The picture today could hardly be more different, however. Mr Willoch, Prime Minister from 1981 to April last year, has left the centre-stage. He has returned to the back benches passing on to Mr Rolf Presthus, Conservative Party chairman and former Finance Minister, the role of pretender to the premiership.

Mr Presthus has had problems filling the vacuum left by Mr Willoch, however, and has been unable to exploit Labour's parliamentary vulnerability. The latest attempt to unseat Mrs Brundtland shortly before the Storting's summer recess, ended in a fiasco for the opposition parties. It has left the Labour leader with a degree of political authority that seemed beyond her reach barely a year ago.

All the doubts harboured by uneasy elements in the Labour Party about the wisdom of taking office at such a time of economic crisis have been stilled. The lavish promises made by Labour in the 1985 election campaign have been rapidly discarded, without any apparent resistance from the party's left wing. Mrs Brundtland's administration has begun to win admiration for its firm approach to tackling the country's economic problems.

While the labour movement has closed ranks around the Labour leader—at least for the moment—little more than a year in opposition has left the former coalition parties disastrously split. They have found it impossible to select an issue on which to unite and defeat the Labour Government, and Mrs Brundtland has shown an unexpected degree of dexterity in exploiting their divisions in order to pick up the necessary votes on crucial issues from the two centrist parties, the Christian People's and Centre Parties.

She has managed to divide the opposition and rule pragmatically, avoiding contentious ideological issues that would give the opposition an issue on which to challenge her leadership. In the process she has taken Labour to its highest position in the opinion polls since the late 1970s.

Mrs Brundtland has been helped by the apparent disarray within the Centre Party, Norway's former agrarian party, which has traditionally often stood closer to Labour than the Conservatives. It was the Centre party, in particular, which lent its support to Labour's economic policies in the crucial votes on the 1987 Budget during last winter, and the Centre Party has generally proved to be an uncertain ally for the Conservatives.

Despite persistent wooing from Mr Presthus, the Centre Party refused to go along with a general vote of no confidence in the Labour Government. The party leadership has appeared keen to re-enter Government, but it has been a prisoner of a fractious left-wing element in the party, and Mr Johan Jakobsen, the Centre Party leader, has been unwilling to put party unity at risk by staging a showdown.

The result was that the only issue on which the Conservatives could count on Centre Party support for a no-confidence vote was the income settlement for the agricultural sector. Traditionally, the Conservatives have been more opposed than Labour to increasing transfers to the farmers, but Mr Presthus was prepared to throw this principle to the winds if the prize was to topple the Labour Government.

The Conservative Party leadership has felt itself under an intolerable pressure during the spring and early summer to find an issue on which to bring down the Government, but it could hardly have chosen more unfortunate ground on which to make its stand.

It has left the impression of being ready to jetison even long-held principles in the quest for power, and its tactical manoevring has clearly backfired.

It had failed too, to take into account the crucial two votes of the Progress Party, without which a no confidence vote was impossible to win. In the final showdown last month Mr Hagen refused to join the other non-Socialist parties, but in a political tour de force, he succeeded in leaving the blame for the debacle on the former coalition partners.

Waiting to the last moment to reveal how the Progress Party would cast its votes, Mr Hagen staged a televised nation-wide press conference last month to declare in statesmanlike terms that he could not support the non-Socialist parties which did not "present a unified alternative to the sitting Government, which despite its fundamental Socialist attitude, is showing firm resolve."

With the country in "a serious economic crisis" the Government had to act firmly towards all sectors of society, he said. A new income agreement for the farmers would destroy the moderation already shown from other quarters such as the trades unions and the pensioners.

Mr Hagen succeeded in leaving the strong impression that the other non-Socialist parties had been motivated only by political opportunism in their attempt to topple the Government.

Overnight he himself gained a degree of political respectability, which had hitherto proved utterly elusive. He has persistently been shunned, in particular by the centrist parties, which have considered his particular brand of maverick right-wing politics to be beyond the pale.

The other non-Socialist parties have tried for more than a year to act as if he did not exist, and have consistently failed to include him in negotiations on forming a new non-Socialist Government, even though they need his votes.

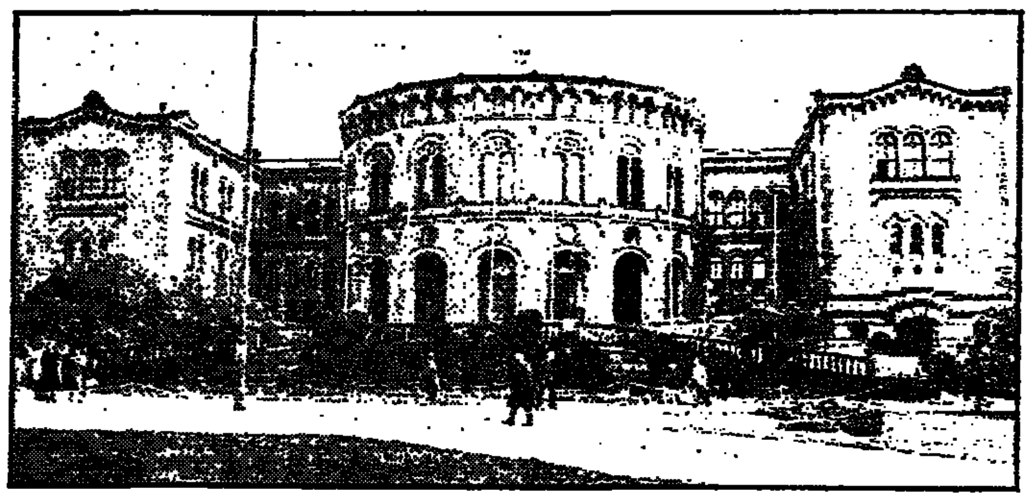
Mr Hagen has now taken his revenge for the long months of being left out in the cold. He has turned the tables, appearing suddenly as the voice of reason who has saved the country from renewed political crisis. It is an unaccustomed role, but one which Norway's Conservatives and Mr Presthus will have to take very seriously if they are not to find their voting support being eroded from both left and right.

Kevin Done

Norwegian Party Standings

	Opinion Polls%		Election results %			Seats	
	June 87	May 87	General 85	Local 83	General 81	Sept 85	Sept 81*
Labour	**40.0**	**38.5**	**40.8**	**38.9**	**37.2**	**71**	**66**
Socialist Left	6.5	5.5	4.9	5.3	5.3	6	4
Socialist bloc	**46.5**	**44.0**	**45.7**	**44.2**	**42.5**	**77**	**70**
Conservatives	29.5	30.5	30.4	26 4	31 7	50	53
Christian People's	**8.0**	9.0	8 3	8.8	9.4	16	15
Centre	6.0	6.5	6.6	7.2	6 7	12	11
Progress	**6.0**	**4.5**	**3.7**	**6.3**	**4.5**	**2**	**4**
Non-Socialist bloc	49.5	50.5	49.0	48.7	52.3	80	83

*In 1981 the Liberals won two seats but failed to win any seats in 1985.



The Norwegian parliament, the Storting: a non-Socialist majority and a Labour government

Economy

Clearing up operations now the party is over

THE OVERHEATED Norwegian economy is finally starting to cool, but it will be next year before it becomes clear how dearly the country must pay for the excesses of 1985 and 1986. The current account of the balance of payments has been plunged deep into deficit and the economy is burdened by sharply rising prices and costs that have left Norway badly out of step with its main trading partners.

Despite all the signals in the first half of last year that the party was at an end, it took time for the revellers to accept that the festivities were over. The brakes have been applied, however, and recent forecasts suggest that the Norwegian economy could slip into recession in 1988 for the first time in 30 years.

According to the Bank of Norway, the economy will stagnate next year, and the Central Bank forecasts that Norway's gross domestic product, excluding oil and shipping, could contract by as much as one per cent in 1988.

The bleak outlook is a stark contrast to recent boom years. The Norwegian economy has shown an average annual growth of more than 4.5 per cent from 1983 to 1986 — around one-and-a-half percentage points higher than the average for the OECD countries — and even this year the momentum already built up should be enough to allow GDP to grow by more than 2 per cent.

Fuelled by increasingly expansionary fiscal and monetary policies, sharply rising wages and an explosion on bank lending, Norway went on an unprecedented private spending spree in 1985 and 1986. Private consumption jumped by a spectacular 17 per cent in the two years.

The centre-right Government, fatally weakened by the result of the September 1985 general election, had already lost its grip on economic policy, and it was unable to withstand the broadside of the collapse in oil prices. It fell in May last year, when it failed to push a first modest austerity package through the Storting, the Norwegian Parliament.

The loss of oil and gas export revenues and the sharp deterioration in Norway's terms of trade cruelly exposed the dramatic deterioration that had already taken place in the country's traditional trade balance. This was reeling under the impact of both soaring imports and exports weakened by eroded international competitiveness and the resulting loss of foreign market shares.

The precipitous decline in export earnings from oil and gas helped to plunge the current account of the balance of payments into a huge deficit last year of Nkr33bn—equivalent to 6.5 per cent of GDP—compared with a surplus of Nkr33bn in 1985. In 1986 Norway suffered a 4.5 per cent drop in real disposable income. In isolation the deterioration in terms of trade reduced the country's real disposable income by as much as 9 per cent.

The hangover from the domestic demand excesses of 1985 and 1986 have been seen in sharply rising prices and still overheated labour market, in which unemployment has declined to less than 2 per cent and where the number of jobless is matched by job vacancies.

Fuelled by the 12 per cent devaluation implemented by the incoming Labour Government in May last year — made necessary by the crisis of confidence in the krone — prices have been rising almost four times faster in Norway than in its main trading partners.

At the end of 1986 the year on year inflation rate was standing at close to 9 per cent. The average price rise for the year was 7.2 per cent compared with 2.4 per cent for Norway's main trading partners. In March this year the inflation rate reached 10.4 per cent, and for the first quarter of 1987 consumer prices in Norway showed an increase of 10 per cent compared with the same period a year earlier, while Norway's main trading partners showed an increase of only 2.2 per cent.

The Norwegian labour market is still extremely tight, and the situation has hardly been helped by the cut in working hours with full compensation that was implemented from the beginning of the year with introduction of a 37-and-a-half hour working week.

Hourly wages in manufacturing industry jumped by no less than 18 per cent from the first quarter of 1986 to the first quarter of 1987, of which some seven percentage points were accounted for by the cut in working hours.

Booming domestic demand during 1985 and 1986 led to the highest growth in the number of people employed ever registered in Norway, with a jump of more than 100,000. There has been a shortage of labour in many industries and occupations, which has caused a strong wage drift.

The cut in working hours has hindered any lessening of pressure in the labour market that might have been expected from the various austerity measures implemented by the Labour Government during the last year. It is expected to be first in 1988, that the slow-down in the economy is reflected in any appreciable increase in unemployment.

At the end of April unemployment amounted to only 1.4 per cent of the workforce on a seasonally adjusted basis.

The Government did score one major victory this spring, when it won support from the trade unions and the employers for zero increases in the centralised pay settlements for 1987. The agreement not to grant any extra pay increases was reached first in the private sector, but it was then followed in the local and central government sectors.

Carry-over from last year, wage drift and the effect of the cut in working hours, mean nonetheless a substantial rise in hourly wages this year of at least 13 per cent in manufacturing industry. The Government's economic plan for 1987 is based on an average growth in wages per normal man-year of only 6.5 per cent, but most observers consider this to be optimistic.

While the costs side of the Norwegian economy still develops ominously —and a new devaluation next year is still far from ruled out—there are encouraging signs that domestic demand is abating, and recent trade figures also give some hope that traditional Norwegian exports are beginning to benefit from last year's devaluation.

"The situation is improving, but we are still running a temperature," says Mr Tormod Andreassen, chief economist at Christiania Bank. "The economy in 1986 was hotter than we believed. It will take time to restructure, but the temperature is coming down."

The inflation peak appears to have been reached with a 12-month rise in consumer prices in March of 10.4 per cent, and the inflation rate is expected to moderate during the rest of the year towards a 12-month rate of increase of 6-7 per cent by December.

The rampant growth in private consumption has been checked and could fall by around one per cent this year, as consumers feel the pinch from a cut in real wages, increased taxes and higher interest rates. Households went heavily into debt during 1986 to help finance the spending spree—the household sector showed a negative savings ratio of minus 6 per cent last year. But the start of a planned far-reaching income tax reform, with an increase in gross rather than net income tax, has begun to make borrowers more sensitive to high interest rates.

The picture also appears slightly less gloomy in terms of Norway's external payments position, and in the revised national budget for 1987 published in May the Government cut its forecast for the current account deficit for 1987 to NKr 27bn. This is compared with the original forecast made in October last year for an enormous deficit of NKr 43bn.

The main factor behind the improved outlook is an upward revision of NKr 10bn in the estimated value of oil and gas exports for 1987, but the traditional trade balance is also finally showing signs of improvement.

According to the May figures, imports fell in value by 2 per cent while the value of exports jumped by 21 per cent compared with the same month a year earlier. Traditional exports alone, excluding petroleum and ships, showed a jump of 20 per cent.

There is a long way to go before Norway's external economy is back in balance, and it is unclear how long the country will tolerate the Labour Government's present prescription of bitter economic medicine. A start has been made, however, and, perhaps as a sign of returning confidence, the krone has moved in recent weeks to its highest level since last year's devaluation.

Kevin Done

Gas

Campaign to woo buyers

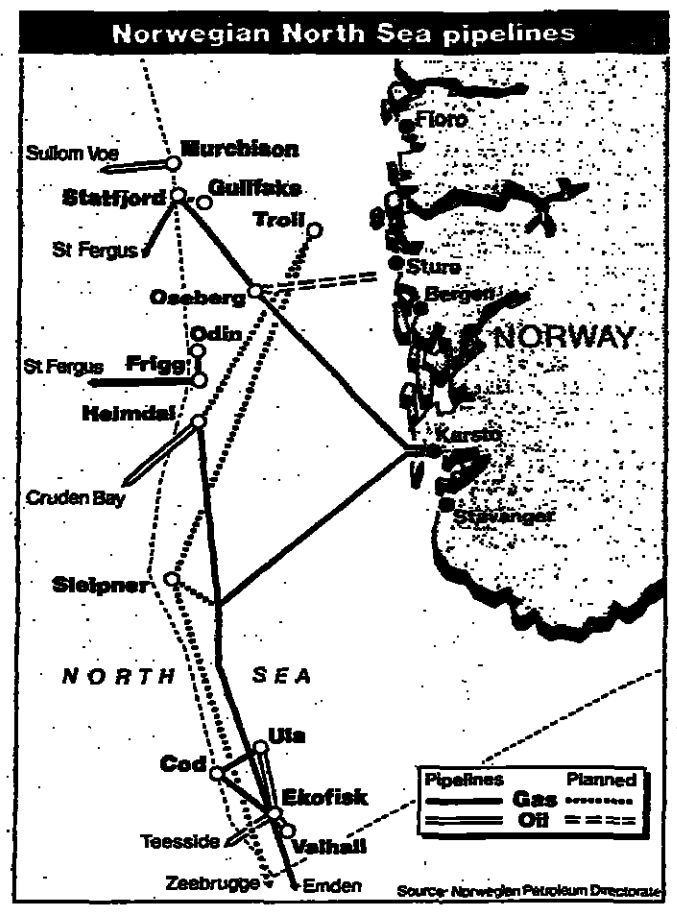
ALMOST A HALF of known gas reserves in Western Europe are located on the Norwegian Continental Shelf. Energy authorities estimate Norway has about 125 years of gas production at current daily rates.

Total recoverable gas reserves are thought to be 200-250bn cubic metres (bcm) or enough to meet European gas demand for at least 15 years. The export of gas in 1986 was 25.7 bcm, a slight increase over 1985. Gas reserves estimates were recently increased by 142 bcm to approximately 3.2bn tonnes of oil equivalent. Gas constitutes about 60 per cent of total energy reserves and it is predicted that this figure will double within 30-40 years.

The Troll/Sleipner gas sales deal secured with European Continental buyers last year was a milestone enabling the country to create a new infrastructure and further penetrate the European market to a degree which would not have been possible from fields with smaller gas reserves.

It is estimated that total Norwegian gas export at the turn of the century could be around 37-38 bcm. The bulk of this will go to European continental buyers (20 bcm), 5 bcm could go to other European buyers such as Spain, Italy and Sweden; and 12-13 bcm could go to the United Kingdom. The last four markets have yet to be secured although Statoil, the state oil company in charge of Norwegian gas sales negotiations, has mounted a fierce campaign to woo potential buyers.

Recently in Oslo British Gas director of petroleum purchasing, Mr James Allcock, told the fourth European Gas Conference that he saw scope for the purchase of additional supplies of around 30 bcm a year, or almost half total requirements, by the end of the decade.



Mr Allcock hinted that Norway could supply about 10 bcm of this through a gas gathering line in the central North Sea which could be connected to the Norwegian Sleipner West field. Gas from the main Sleipner field was once tentatively sold to Britain, in a deal struck more than three years ago. Whitehall vetoed the deal in 1985 for fear that it would discourage development of indigenous supply.

Norway is also looking to the US as a major importer of its gas in the form of liquefied nitrogen gas (LNG) by the turn of the century. It has fostered a relationship with one of the US main gas purchasers, Tennessee Gas Transmission, which is undertaking gas market feasibility studies, in the hope of clinching a deal for the next century.

This year Norwegian energy authorities appointed a committee to study the conditions of gas exploitation off north Norway. The committee concluded that "the market opportunities rest with the export of LNG, the gas market in Scandinavia and electrical power for application in Norway and for export."

Norway will try to phase 5-7 bcm LNG into the American market towards the turn of the century. If successful this would give Norway a foothold in the world's largest energy market. However, Norway faces stiff competition from other suppliers including Algeria, Nigeria, Trinidad, Mexico and Canada.

The decision by Sweden to minimise reliance on nuclear power will in future also provide a market for Norwegian gas-fired electricity. This could mean a supply of 5.5 bcm per year at the turn of the century.

Although Soviet gas supply sufficient services to the Finnish market, the Norwegians hope to supply gas-fired electricity to that market from the early-1990s.

Other possibilities lie in the domestic supply of gas-fired electricity which would utilise 3 bcm of gas per year by the turn of the century.

Gas-based power provides opportunity for greater fixed export to other Nordic countries where adequate transmission lines already exist. In the long term, Norway sees the potential to supply the European continent with gas-fired electricity.

For all its endowment with gas supply, Norway admits that it will have to wait until the turn of the century to start deliveries to new markets.

Karen Fossli

Offshore Industries

Demand for services fluctuates

THE OFFSHORE service sector was dramatically shaken by the decline in the oil price which also affected the activity levels for exploration and development in 1986. Since the partial recovery of oil, and the introduction of new tax measures, oil companies' confidence in the market has been somewhat restored.

According to the latest white paper presented to the Norwegian Parliament by the oil and energy ministry "the demand for goods and services by offshore-related enterprises will be relatively high even though there will (continue to be) fluctuations in the partial markets."

Platform construction has traditionally generated the largest volume of work for Norwegian suppliers of goods and services. According to labour statistics, petroleum engineering companies employed 7,300 people in 1986. The input of foreign engineers has, however, been substantial.

A decline in assignments can be expected in engineering design and management in 1987, according to official forecasts, but there will be a sharp increase in assignments in 1988 and 1989. A temporary decline in 1990 and 1991 may be followed by a new period of high activity in 1992 and 1993.

Platform construction employed some 11,500 people at October 1986, estimates the Norwegian federation of engineering industries. For the mechanical engineering industry, 1985 and 1986 were two good years. The fabrication sector, however, is characterised by over-capacity. This is likely to get worse if new platform design (fewer, though larger modules) becomes the new trend.

The new trend to develop oil and gas fields with production facilities located on the sea bottom has increased marine services activity. Wells have to be drilled in advance of production. This gives additional work to mobile drilling rigs which traditionally work only during the exploration phase of field development.

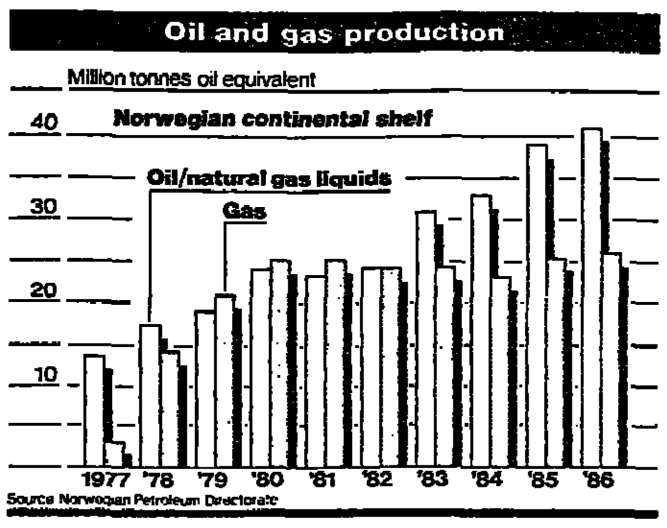
The operation and maintenance market has provided substantial market opportunities for Norwegian suppliers. In 1986 oil companies spent some NKr 9bn to operate oil and gas fields. This figure could increase to NKr23bn by 1995. Oil companies' own costs constitute the bulk of this expenditure, while maritime services take up about 14 per cent. Repair of equipment takes 11 per cent of this market, while oil and gas well service and maintenance represents some eight per cent. It is estimated that of NKr 9bn spent for operation and maintenance of oil and gas fields, around NKr 4bn goes to vendors.

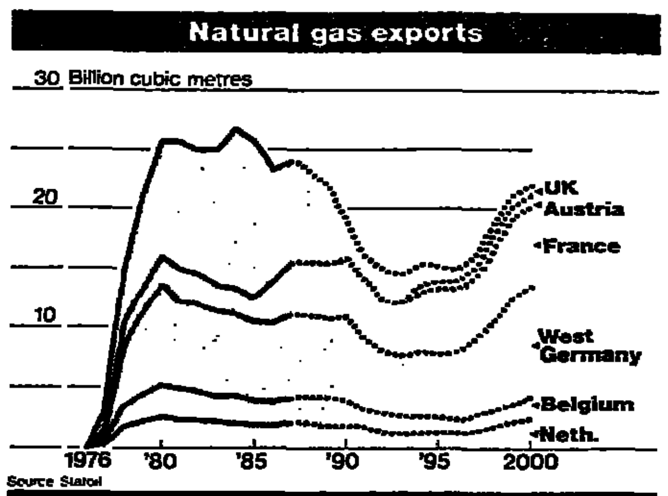
In recent years the Norwegian service industry has built up considerable capacity and competence. Product ranges have increased, although export of know-how has been limited. Norwegian share of domestic delivery has been about 60 per cent of the total market, however.

Current development plans by oil companies put the peak investment level at NKr 40bn. Norwegian authorities, however, have chosen to limit investment by approaching a controlled level of new developments (at an annual investment of NKr25bn) in a bid to prevent the Norwegian economy from over-heating.

The Norwegian federation of engineering services, however, has used its influence to pursuade the government to consider approval of additional projects to provide more work for its ailing industry. Norsk Hydro is currently under pressure to develop its Oseberg North field, which it says is not economical under the new tax regime.

Karen Fossli





Platform construction has generated the largest volume of work

Oil

Future lies in the Barents Sea

NORWAY MAY or may not recover from the dramatic fall in oil prices experienced in the latter part of 1986. It remains to be seen how stability in the oil market will develop and how much oil can be proven in frontier areas. At the end of 1986 remaining oil reserves on the Norwegian Continental Shelf were about two billion cubic metres.

The country's increased dependence on oil sector income was best demonstrated when its spendable real income was reduced by as much as nine per cent when oil prices declined. Earnings from petroleum revenue were reduced by more than NKr27bn from 1985 to 1987 but the country continues to pursue a "find more oil, sell more gas" energy strategy.

Norway's position is almost paradoxical: although it needs income from producing oil and gas fields, it must pace the development of these fields through an investment limitation of some NKr25bn per year. Oil companies, however, have plans which would bring that figure to an annual investment of NKr40bn by 1991.

In a bid to prop up oil prices, the Minister of Oil and Energy, Mr Arne Oeien, took the unprecedented step in February of implementing an energy policy which supported Opec by reducing domestic oil production by some 80,000 barrels per day. Current oil production is just over 1m barrels per day. The measure is up for review and the minister says that he would not be surprised if further support in the form of production cuts were continued.

During 1980-85 Opec's share of the world's total oil production fell from 60 to 35 per cent. In the same time Norway increased oil production to become the world's twelfth largest oil producer. By 1990 Norwegian production is expected to increase by a further 30 to 40 per cent when it could put the country in the world oil production lead after Saudi Arabia and Iran.

To stimulate oil field development activity the government eased taxation which "greatly enhanced profitability after tax for new field developments." It left, however, little incentive for development of those fields which did not qualify as "new."

One Norwegian oil company, Norsk Hydro, recently announced plans to drop the development proposal for further expansion of its Oseberg oil field, citing taxation as the reason.

According to latest estimates made by energy authorities the ratio of remaining reserves to yearly production shows that Norwegian oil could last for 35 years based on 1986 production levels.

Norway's future for oil discoveries lies in the strategic Barents Sea region. The energy authorities have high hopes for the area and say that "it is only in the Barents Sea that one can expect to discover many large oil fields." Exploration activity will mean that five to seven wells will be drilled in the Barents Sea annually in the period 1987-89. Discoveries made will form the basis for future activity levels.

Although oil companies have sharply cut funding globally for oil exploration, Norway has seen only a slight decline in activity. In the 1980s, 26-36 exploration wells have been drilled annually with a discovery rate of 40 per cent. For 1987-91 it is estimated that 20-25 exploration wells will be drilled annually.

The authorities say that it cost some NKr3.70 per standard cubic metre to prove some 3.7bn tonnes of oil equivalent in the early years. In more recent years, costs have risen to NKr16 per standard cubic metre.

The next oil province to be developed is on Haltenbanken, off mid-Norway, where some 200m tonnes of oil equivalent have been discovered. The ratio is 50/50 oil and gas.

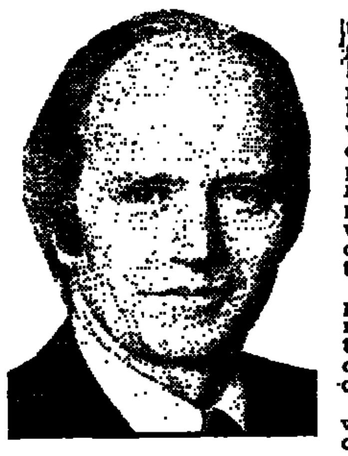
There are several oil, gas, and gas condensate fields there which will be tied into an infrastructure development. The area has been surrounded by controversy because one of the main discoveries was made by a foreign oil company which wants to develop the field. However, Norwegian offshore licensing regulation stipulates that the state oil company, Statoil, has the option to take over a field after production commences.

Karen Fossli

Europe

To join or not to join?

WHAT IS probably the most politically taboo issue in Norwegian foreign policy has this year started to move out of the shadows. The vexed question of whether or not Norway should apply for EC membership has not yet become a major political talking point, but few observers doubt that it will move again right to the centre of the political stage in the next two or three years.



Thorvald Stoltenberg.

The question remains a sensitive one even today, 15 years after the Norwegian public narrowly voted against joining the EC — by 52 per cent against 48 per cent — in a heated and traumatic referendum. The debate then split political parties down the middle. It nearly destroyed the Liberal Party, which today is a spent political force, and led to the Labour Party losing one-third of its votes. It divided the anti-EC trade union membership against their pro-community leaders and created similar splits throughout the Norwegian community.

Not surprisingly, nobody wants to risk a re-run of the 1972 referendum, least of all Mrs Gro Harlem Brundtland's Labour government, which, as a minority administration, could not propose anything so controversial without first ensuring that it had solid support across the Storting (parliament).

That is why the issue of EC relations was only raised officially in the form of a carefully neutral white paper, which accordingly avoided posing the question of membership when it was placed before the Storting in May. The document will not even be debated until next Spring, when political parties will be preparing their programmes for the 1989 general election.

However, the white paper pointedly begs the question of how Norway can increase its links with the EC. It has already grown so close in several key areas, such as foreign policy co-ordination, fisheries policy and industrial market access, that the scope for closer links without actual membership is slight. "There is nothing between increased activity and membership," said Mr Thorvald Stoltenberg, the foreign minister, in a recent interview.

But the fact that the white paper has been published at all is a telling indication of how Norway's perception of its place in the world on a range of issues from trade to defence has changed since 1972 — and of how the EC's influence has grown.

Norwegian manufacturing industry was in the forefront of the pro-marketeers in 1972, and is again pressing hard for membership. What is different this time is that the weakening of oil prices and the dollar's fall has strengthened their arguments that Norway badly needs better influence in a market which takes 70 per cent of its exports. That is a far higher proportion than is the case for most of its partners in the European free trade associaton, which for Norway is looking a decreasingly adequate alternative trading bloc to the EC.

Norwegian exporters not surprisingly resent having to submit to EC anti-dumping regulations, which apply to a quarter of their sales of industrial products to the EC.

Because of Norway's oil wealth, "the detrimental effects of not being a member have come slower and later than anticipated. But they will materialise," predicts Mr Kare Willoch, former prime minister and an unashamed pro-European. His prediction is already coming true, as shown by a dramatic swing in Norway's trade balance from a NKr39.4bn (£3.5bn) surplus in 1985 to a NKr19.4bn deficit last year.

The main area where Norwegian businesses want to guarantee influence is in the EC's campaign to create a fully free internal market by 1992. For all the practical and national problems the internal market programme is encountering, industrial groups in Norway have a clear interest in getting a say on issues that affect their goods, such as the setting of industrial standards, and in getting a share of the EC's joint research and development schemes.

Pitted against the industrialists in 1972 were the farmers' unions. They were fearful of the impact that EC membership would have on the Government's ability to pay price and production subsidies, which this year amount to NKr11bn — roughly equivalent to the entire income tax take. But they have now seen how farmers in remote geographical regions in EC member states, like Greece and Portugal, have managed to continue receiving subsidies as before. While far from having changed their old views, farmers' leaders now at least profess privately to be open to discussion on the issue.

EC relations are meanwhile acquiring an increasingly important bearing on defence policy. Here, the white paper points to the challenge to Norwegian influence posed by the developing process of foreign policy co-ordination between the EC's 12 member states. Norwegian diplomats are kept closely informed of the content of EC political co-ordination (EPC) meetings, but cannot formally have a say in making decisions.

The result is that the country — which is perennially anxious about the risk of being seen as a peripheral member of Nato — is increasingly finding itself isolated in Nato ministerial meetings between a co-ordinated EC position and the US. Moreover, this is at a time when the Soviet Union's offer to scrap short and medium range missiles in Europe has highlighted the division of interests between the US and its European allies.

The white paper warns "to the extent to which western European discussions of such questions are concentrated in EPC and in a dialogue between EPC and the US, our chances of making Norwegian interests and views felt will clearly be limited."

The message is as clear as it can be, without actually advocating EC membership: that it would benefit Norway to get a larger say in the Community at a time when its fortunes are becoming increasingly strongly tied to those of its North Sea and European continental neighbours.

William Dawkins

Industry

Money goes to loss-making cause

THE CHALLENGE facing Norway is to wean its economy away from dependence on oil, and take the necessary measures to increase industrial productivity. If successful, the Government might be able to restore balance to its external account.

As far as manufacturing industry is concerned, however, the Norwegian Government continues to pour money into what is largely a loss-making cause. In the period 1982-1986 Norwegian market shares abroad are estimated to have fallen as much as 11 per cent; they have also declined sharply on the domestic market in recent years.

Import shares have increased for almost all commodity groups and for processed manufactured goods they rose about 5 per cent per year from 1984 to 1986, according to the 1987 Revised National Budget.

Norway's export industry made rather poor progress at the beginning of 1986 but picked itself up in the second half due primarily to better prices in the aluminium and pulp and paper sectors. The chemical sector performed poorly last year because of Poland's chemical dumping exercise, says the Norwegian Industries Association(NIA). More recently, however, this sector is putting up a better performance compared to the losses in 1986.

Domestic industry has experienced expansion in the last two to three years in the construction sector. This trend is expected to disintegrate rapidly by 1988, when building in major cities will fall off. This is supported by current new legislation to reduce building activity levels and by the banking sector's hesitance to finance new projects.

In residential construction an increase was experienced in the period 1986 to early 1987. Further development in that sector is surrounded by uncertainty as financing of housing becomes increasingly expensive. However, the potential for interest rates to fall could also cause growth.

In the manufacturing sector, profitability has been obtained. Optimistic estimates put growth in this sector at 3.4 per cent. The NIA estimates that the percentage growth is more likely to be 1.5-2 per cent due to industrial labour disputes which led to industrial action in 1986.

The high domestic demand levels experienced before 1987 have narrowed although future development is uncertain. The NIA estimates that there could be a two per cent decrease in demand in 1988 and a three per cent decrease in 1989. A positive development on export prices and volume has, however, been achieved. There also seem to be signals of increased competitiveness and a growth in exports.

This can be underscored by the improvement in Norway's trade balance in May this year when the foreign trade deficit was only NKr 34m compared to NKr 2.28bn in May 1986. Norway's total external trade deficit, although currently NKr 5bn, is down on last year's figure of NKr 6.4bn. Although May figures signal a positive trend, they do not give reason to believe that this posive development will be maintained.

The gap between import and export has, however, been considerably narrowed. Imports, excluding ships and oil platforms, totalled NKr 11.84bn, whereas exports, excluding ships and oil platforms, reached NKr 11.81bn.

Aluminium accounted for 7 per cent of the total industrial sector. It was strengthened sigificantly through a restructuring exercise. Raufoss Aluminium is a good example of growth in this sector. It has strengthened through its manufacture and supply of automobile parts and components to other European countries. Norsk Hydro is another company which is developing favorably in the aluminium sector.

The chemical industry comprises about 4-5 per cent of the overall industrial sector. Pulp and paper captures 5 per cent; ferro alloys are faring the worst by far, due to poor development on the price side in the world market. Still, the level of current productivity is 40 per cent above 1984 figures.

For textiles and clothing, export has experienced a very rapid increase. The export of fish and fish products continues a rapid international expansion. The export of fish products has increased well above average so far this year. This comes at a time when the extraordinary southern migration of seals into Norwegian waters has caused a significant loss in the cod catch.

The Norwegian Industry Association estimates that total national exports will increase by some 4 per cent in 1988.

Norway's shipping industry, which showed a positive trend just one year ago, became desperately hit by the drop in oil prices, which in turn steeply reduced the demand for offshore maritime services. Approximately one-third of the supply, service vessels and, at one point, more than one-half of the oil drilling rigs were laid up. Those able to secure contracts did so at a price—in many instances contracts were concluded at rates which generally brought losses.

One special feature of Norwegian shipping in 1986 was the continuing reduction of Norwegian registry tonnage. According to Norges Skibshypotek, the Norwegian fleet dropped in 1986 from 16.9m to 10.7m deadweight tons. The Norwegian-owned fleet under foreign flag increased from 9.5m to 13.5m deadweight tons.

To help reverse this trend, Norway established in June an international shipping registry. It represents an extensive liberalisation of regulations in a bid to increase competitiveness. It is intended to be fully competitive with existing open registries in terms of operating costs. Foreign owners will be exempt from Norwegian taxation and foreign seamen will be exempt from Norwegian tax.

Total exports of fish and fish products reached some 730,000 metric tonnes in 1986, down on 1985's level of 837,000 metric tonnes. This represents a 12 per cent drop in export volume but an 8 per cent increase in earnings. For fresh and chilled fish, Norway's biggest markets are the US, France, Denmark and West Germany. The areas of greatest decline were in export of shell fish, fish oils and fish meals and powders.

Pulp and paper is a growth industry for Norway. Total exports reached a value of NKr 6.1m in 1986, or about the same level as that of 1985. This represents some 8.8 per cent of commodity export earnings. Foreign sales were some 1.23 tonnes of paper and board, or 78 per cent of total production, which totalled 1.6m tonnes.

According to the Norwegian pulp and paper association (NPPA), its industry is at the start of a substantial investment boom which it is estimated will last until the early 1990s. NPPA estimates that this upsurge will require future capital spending in the order of NKr4bn to NKr4.5bn.

It places great hope in this industry considering that it will rank as one of the leading manufacturing sectors in mainland Norway as far as modernisation and expansion are concerned.

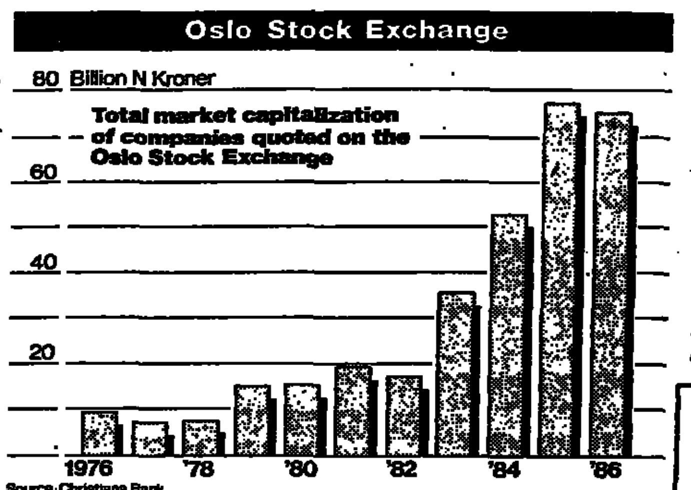
In 1986 capital spending totalled NKr1bn and this is expected to increase to NKr 1.5bn in 1987. Expansion in capacity for magazine paper is expected to be increased by 45,000 tonnes to 245,000 tonnes.

Karen Fossli

Stockmarket

Mergers level steadies

Oslo Stock Exchange



Source: Christiana Bank

THE OSLO market rallied strongly in April when record index levels were achieved, only to tumble to its steepest one-day fall in May when new share trade tax legislation threatened the possibility of foreign investors seeking cover in other trading centres.

The index soared to 325.48 points to top November 1986's previous record high of 325.31. The proposal was, however, thrown out of Parliament in mid-June and a capital gains tax of between 35 per cent and 40 per cent was implemented instead.

The Oslo Bourse has been marked by a period of heavy expansion in trading during the last four years and by current investigations into insider trading because of hectic activity in mergers and acquisitions. The 1986 bear market, however, reduced the capitalisation to NKr 74.8bn from NKr 77.1bn in the boom period, estimates Christiana Bank. Observers believe that the expansion of the Bourse has now seen its plateau and that the level of mergers and acquisitions has steadied.

Foreign investors have more than quadrupled turnover on the Oslo Bourse in the past five years. This is in spite of strict regulations which control the amount of share capital they may own in a Norwegian company. For instance, 10 per cent is allowed in banks, 20 per cent in industrial firms and insurance companies, and 40 per cent in shipping companies.

During the last two years the spate of mergers and acquisitions, some of them hostile, have dominated the scene. The activity has prompted a series of investigations by the Banking and Securities Exchange Commission into what it itself describes as insider trading and questionable business practices. Leaks of Norwegian bonds for sales abroad are also to be wrapped up by the end of the summer in a separate investigation.

The market had its head turned by a series of major takeover moves. Elkem, the aluminium and ferro alloys group, has been trying to merge with Kvaerner, the engineering group. Elkem made its initial approach in a friendly manner but when it became apparent that Kvaerner was not interested in a dialogue manoeuvering became hostile. Oslo Bourse observers speculate that this merger will never take place largely because of Norwegian concession laws and because Elkem, rather than making a formal bid for Kvaerner, let the situation drag on.

Aker, the engineering, construction and real estate group, also a key player in the domestic oil service industry, successfully merged with Norcem, the engineering, construction, and cement group. Major Aker shareholders sold out shares to Norcem, already the majority shareholder, to allow this friendly fusion. Aker is 20 per cent owned by the shipping group Kosmos, which came under heavy attack from Laly, the shipping group, in a failed merger attempt.

Orkla, the investment and consumer oriented group, successfully merged with Borregard, the heavy industry and food process group. In 1985 Orkla doubled its shares in Borregard from 18 to 36 per cent and followed through with an additional 10 per cent share purchase thereafter. The merger was completed in May 1986. After several restructurings experienced by both companies they have emerged as one strong, competitive unit.

Hydro, the aluminium division within the Norsk Hydro group, partially state-owned, successfully merged with AASV, a metals group which is also state-owned, to form Hydro Aluminium. There was nothing outstanding about the merger except that it involved two state companies which were merged to strengthen their otherwise weak, individual portfolios. The new company is not listed on the stock exchange although this is eventually expected.

In what has been described as the most hostile takeover attempt, the Laly shipping company moved to take over the Kosmos shipping group but failed.

Karen Fossli

THE ARTS

London galleries/William Packer

Sculpture from the countryside

Andy Goldsworthy (showing at the Fabian Carlsson Gallery, 160 New Bond Street, W1, until July 18) is a sculptor who works for the most part in and with the landscape, whose material is found and natural and whose subject is nature and the processes of nature.

He is by no means the first artist to place himself thus quite literally in the field. Indeed, in the 20 years since Richard Long and Hamish Fulton first strode out of Saint Martin's sculpture school, a pair of stout and sensible hiking boots and a good map have become standard equipment for the ambitious young sculptor.

The field has never been so busy. Such activity is not necessarily commonplace, but the difficulty of sustaining a particular creative identity has become more pressing. As with any orthodoxy, new or old, it *is easy to mistake indulgent* preciosity for true originality; even the best of the work—a remote heap of stones by Long, an epic Fulton walk, or one of Roger Ackling's tiny and exquisitely charred twigs—*is* easy enough to mock.

Like Long with his stone and driftwood circles and his mud murals, Goldsworthy brings material into the gallery from which to rebuild or improvise a sculpture, actual and complete. Here he shows two such pieces contrived from a load of broken slates *salvaged* from a demolition site.

The smaller of the two is a low hollow dome that lacks only its final cap, constructed on the principle of an ancient tomb, gradually decreasing circles resting one upon the other. It is a mysterious and *oddly poetic piece, obvious* yet satisfying and intriguing in its imaginative resonances. The larger piece is made in the same way of layer upon layer, but solid throughout, a giant pear of sorts that seems to cast its own shadow of working *detritus. It is more obviously* physical but no less intriguing, even rocking a little on its point of balance though it needs the artist there himself to make the demonstration.

But these things as they are must be dismantled and taken away at the end of the show. Set up in the open in some natural, remote and untended spot, Nature could have her own way with them. Overgrown, belichened, knocked about by the weather, birds and animals and even, perhaps, the curious passing vandal, in time they would sink back into the landscape leaving only a shadow of themselves and a pile of rubble.

In most of his work, however, Goldsworthy's end is not so far advanced and is to be measured in days at most, if not hours. In summer a raft of leaves, pinned together with thorns, is floated on the stream and pegged in place, *its process* of assimilation (as with all his work with thorns and *leaves* and bushes) *fading* and disappearing, to be given a permanence only by the camera. Most fugitive of all, however, are the bridges and arches and other structures he makes in the dead of winter from the *sheets of ice* he breaks and refreezes together, there and then, in the snow, beside the stream, below his horizontal icicles and other jokes. All are caught to live only in the fine photographs that make up this absorbing exhibition.

★

The William Brooker Retrospective Exhibition just up the road at Agnews (43 Old Bond St W1, until July 17) is a touching and effective tribute, small as it is, to a painter who, though he showed regularly throughout his career, is still more remembered and respected as a teacher than he is recognised for his art. Such is often the British way with its artists, and the Polytechnic Gallery of Newcastle, which is where this show was both organised and first shown, is to be thanked for supplying a useful corrective.

Andy Goldsworthy making his "Slate Cone" in the Fabian Carlsson Gallery

Brooker died in 1983 and though our paths had crossed many years before, it was not until the year or two before his death that I came to know him at *all well. The still-life* of his last 20 years, simple and severe, paradoxically rich in the working of the paint and the paint itself, scrupulously measured and organised through the *forms* and the pictorial space, were well known to me. But it was his work of the 1950s which surprised me and yet explained so much. For here was no austere pictorial theoretician but someone who, though disciplined, was freer and more intuitive; this judicious hedonist still lurked *behind those later paintings,* making them not contradictory in their richness after all.

We were together once in Aberdeen, walking through the City Art Gallery where, to tease him, the Director had hung its *Recling Nude II* of 1955, a *luminous figure in a* dark interior, where he knew he would pass it. Indeed he did pass it, walking straight on and round the corner, but then, *muttering to himself "Hello,* that looks familiar," he came back to it as though on elastic to look at it for a minute or two. "You know," he said at last, "I had quite forgotten that was here"; then, a pause and a grin, "It's not bad, is it" *And he was deeply touched* at the trouble taken to jog his memory of nearly 30 years.

It is indeed not bad at all, as can be seen in this delightful show, nor are the rest of them, the nudes and interiors, still lifes and landscapes, all of them *as wide in the scope of their* serious painterly ambition as they are modest in scale.

Brooker was one of that generation of artists caught up and delayed in their careers by the war, steeped in the honourable and peculiarly British post-impressionism of Sickert and Camden Town, which was superseded and obscured by the generation of the late 1950s and early 1960s which it taught. William Brooker is not alone in deserving this most welcome, if tardy, celebration.

★

By the time this article appears the *Artist of The Day* programme at the Angela Flowers Gallery (in Tottenham Mews, W1) will be well into its second week with six down and five to go. Of those I have seen so far, I was particularly impressed by John Kirby (who was Anthony Green's nominee for Thursday last) for his odd and gently metaphysical heads and figures. And I very much enjoyed some of Janette Boddington's expressionist charcoal heads and faces (Amanda *Faulkner's* choice the day before). My recommendation of Tim Lewis (Nicola Hicks' choice for yesterday) stands not on the show, which I have yet to see, but on his degree show in the sculpture school of the Royal College of Art, which *I saw last month. There are* five more artists to come, one each day until Monday July 13.

Time Out Theatre Awards

The London magazine Time Out has announced its annual Theatre Awards. At the informal ceremony compered by Rose English and Alfred Molina the presenters included distinguished figures from theatre and publishing, among them the National Theatre's new executive director, David Aukin, and the managing director of Faber and Faber, Matthew Evans.

Winners ranged from a "Marxist conjuror," Ian Saville, who noted that the Guardian refused to review his show claiming it was "not theatre," to Royal Shakespeare Company designer Iona McLeish and composer Ilona Sekacz. The RSC's production of *Principia Scriptoriae* took an award for its American author, Richard Nelson.

Other winning writers were Caryl Churchill, whose *Serious Money* has just transferred to the West End from the Royal Court, and Jacqueline Holborough for *The Garden Girls;* the latter also took an award for Maggie McCarthy's performance. Other award-winning actors were Carolyn Pickles *(Body Cell)*, Eileen Nicholas *(Request Programme)* and Jamie Newall *(Never the Sinner)*.

The judges, Time Out's regular critics and guest panellist Martin Hoyle of the FT, this year eschewed rigid classification. Thus Hilary Westlake's production of *Deadwood,* recreating a tropical rain-forest in Kew Gardens, was recognised for its audacity and imagination; Bruce Myer's adaptation *of The Dybbuk for intensity* and invention; the Royal Young Writers Festival for encouraging young talent; and the Bush Theatre for its consistently high level of design.

Trisha Ward's National Youth Theatre production of *Nightshriek,* a rock musical version of *Macbeth,* won its author-composer an award. Three productions took directorial honours: *Observe the Sons of Ulster Marching towards the Somme* (Michael Attenborough), *Gaudete* (Julia Bardsley and Phelim McDermott), and *The Great Hunger* (Patrick Mason). This year's new Time Out Readers' Award went to Hugh Ross for his Malvolio in the Cheek by Jowl production of *Twelfth Night.*

M.H.

Genesis/Wembley Stadium

Antony Thorncroft

Genesis are enormous, so enormous that corporations fight to throw even more money at them. The three surviving members of the band need the extra cash as badly as they need Nemesis, so, charitably, they played an additional, fourth concert, for Save the Children at Wembley Stadium on Friday, made possible by a £70,000 donation from NatWest.

It's 20 years now since the band was born at Charterhouse School, and millions of people have experienced the most memorable moment of their lives while tuned in to Genesis songs — the fact that some of these last an interminably long time, as confirmed by the performance of "Dancing with the Moonlit Knight" on Friday, helped with this. Around 70,000 fans turned up for a great celebration. Time has planed down the rough, or perhaps the oversmooth, edges of Genesis and what once seemed pretentious, or often just plain daft, seems like the high spirits of youth.

Of course of the surviving trio Phil Collins commands pride of place. He immediately becomes the friendly Big Brother of everyone in the crowd and his voice has developed an equally plaintive popular touch, while his drumming still commands respect. Mike Rutherford hits the bass as ever and Tony Banks the keyboards but Genesis has padded itself out with some superb backing musicians. It is the basic musical skills of the band which most impress, along with an elusive charisma. Genesis remain a fine vintage still fit for drinking, thinking man's rock, which demands involvement that usually repays the effort.

The lighting for the show was strong and confident; the two giant supporting screens worked, so the fact that the band was virtually "Will of the Wisps" to most of the audience hardly mattered; the sound system was excellent. Collins has made it in the US and brought some needed Californian cool to Genesis, exhibited in "Invisible Touch" from the latest album, the 16th. Genesis are now a fact of life, and like life the banal is followed by the uplifting. Fortunately at Wembley they *played to the mass gallery* and managed to turn the evening into a giant reunion party.

★

Charisma was what Luther Vandross lacked at Wembley Arena earlier in the week. Much effort had been spent on converting the place from a cavernous wind tunnel into a sophisticated uptown nighterie. Just as much money has been invested in making Vandross the natural successor to Marvin Gaye. *Sadly the result was* more like watching a down-market Lionel Ritchie in a blown up version of the Batley Working Men's Club.

Not that Vandross was much to blame. He has a fluent soul voice, demonstrated effectively in the *schmaltzy* "See Me." But for most of the set he was fighting hard against his three backing singers whose flashy strutting frequently dwarfed the not inconsiderable bulk of the star. The stage was continuously saturated in pastel lights. But rather than evoking the atmosphere of a smoochy night club it felt rather like being soaked up by a succession of multicolour tissues. The emphasis on the packaging reduced the product to dross.

RSC's Jean Genet season in London

During July and August the Royal Shakespeare Company is launching a Jean Genet season at the Barbican, an American season at the Mermaid and a new version of Ostrovsky's *The Storm* for The Pit.

Genet's *The Balcony,* in a new production by Terry Hands, opens on July 15. The season will continue in the autumn with a double bill programme of *The Maids* and *Deathwatch,* followed by *The Blacks,* in The Pit.

At the Mermaid the American season opens with Ray Herman's new adaptation of *They Shoot Horses Don't They* and continues with Nicolas Kent's revival of his Tricycle Theatre production of *The Great White Hope* by Howard Sackler, with Hugh Quarshie repeating his award-winning performance as Jack Johnson.

Nick Hamm will direct the new production of Alexander Ostrovsky's *The Storm,* which opens on July 13 with Janet McTeer in the leading role in a new English version by playwright Stephen Lowe.

Other plays in repertoire will be transfers of *A Midsummer Night's Dream,* David Lan's *Flight* and Nick Dear's *The Art of Success from Stratford.*

Gershwin/Barbican Hall

Max Loppert

The "Gala Finale" of the London Symphony Orchestra Gershwin series, on Sunday, was over-full of goodies (as earlier instalments have apparently been)—but they were indeed goodies, and enjoyed as such by the large, friendly audience. This was the end-of-term concert: in the auditorium itself some rather queasy red and blue spotlighting came on and off to provide "atmosphere"; and, more helpfully, the many small numbers out of which the programme was mainly made helped provide a close focus on the basic gift of the series' tutelary deity.

This was the gift of melody: other, larger musical claims have also been made for Gershwin, but the beauty, memorability, singability, and rooted humanity of his songs are the easiest qualities to demonstrate unarguably, and Michael Tilson Thomas had filled his final concert with them. He had also brought Cleo Laine along for two large song medleys (aided at times by the Dankworth Trio, at others by the full LSO, and, in a hushed closing "Love *is Here to Stay,"* by the conductor himself at the piano). And that was a good way of combining pleasures, for the joy of hearing this singer was in the best way identified with that of hearing the songs themselves.

Her supremely vivid touch with words (how one wishes she could be taken on at the ENO as language coach!) made one realise all over again how literate, intelligent, and tough-tenderly witty many of the lyrics are. In Gershwin's rueful mode—as in "*But Not for Me*" —Miss Laine is matchless; but her gaiety, lustre and sudden mad sparkles high above the stave were also very much in evidence (for instance, in that delightful half-dig at the Viennese waltz, "By Strauss") and always entirely apposite.

For the rest we had Nigel Kennedy making a sensational, and also authentically stylish, *success of the Heifetz-arranged* Three Preludes; a couple of dips into the recently discovered treasure trove of unknown Gershwiniana (the LSO Chorus was involved, willingly but rather plainly, in dullish unison-line choral insertions *into "Swanee" and "The King* of Swing"); and a repeat performance of the LSO's marvellously springy, insouciant *American in Paris* from earlier in the series (with knockout brass playing, and some wonderfully accurate blue-clarinet imi*tations). Mr Tilson Thomas's* musical enthusiasms, on this evidence, translate into excellently fresh concert series. One looks forward to more of them during his LSO term of office.

Porgy and Bess/Festival Hall

Dominic Gill

The climax of the South Bank series called "The André Previn Selection" — a finale nicely timed to coincide with the last week of the Barbican's Gershwin Festival — presented two performances last weekend of a concert suite abstracted from Gershwin's opera *Porgy and Bess.*

Since full scale productions of *Porgy* have been few and far between, the opera's reputation has always rested by and large on its set-pieces — often recorded, and revived in a variety of familiar sequences, long and short, in the concert hall. After last year's Glyndebourne production under the brilliant musical direction of Simon Rattle, which demonstrated, for the first time to British audiences at least, the richness and energy of the full score, and its splendid dramatic potential, no other performances are ever going to seem quite the same.

A medley of highlights, which was essentially last weekend's arrangement, works very well nonetheless as an entertainment. The soloists, imported from this season's Glyndebourne revival, sang a shade more stiffly than they might have sung on stage — and the balance in so large a hall between the solo voices and the orchestral forces of the Royal Philharmonic was not always ideal. But the medley gathered force effectively as it went, and Previn's ability (a talent which he shares with Rattle) to sustain long musical paragraphs with an easy, infectious rhythmic momentum gave even such a severely pruned sequence a certain dramatic presence.

Of the eight soloists, Bruce Hubbard's grave and melodious Porgy contrasted nicely with the tempestuous Bess of La Verne Williams—not always reliably tuned, especially in the highest registers, but powerful and brightly coloured. Damon Evans's Sportin' Life is as quirky, and as slickly effective, in the concert hall as it is on stage.

Haydn quartets/Wigmore Hall

David Murray

Sunday's Morning Coffee Concert by the Lindsay Quartet was really a trailer for their Haydn Festival at the same hall in mid-September: all his string quartets from opus 20 onward, with the Lindsay performing daily (twice on Sundays) and a half-dozen other teams taking some of the load. This Sunday's concert neatly covered the range, from op. 20 to op. 76 by way of the single mini-quartet op. 42. In due course there will no doubt be a complete Lindsay Haydn on record, like their Beethoven, their Bartók and their forthcoming Schubert.

The opus 20 set found Haydn still experimenting with ways of construction, not all of which were to find a home in the Viennese "Classical Style." Perhaps the skittering Fuga which ends the C major quartet, for example, has parallels in later pieces: but its linked Adagio and Menuetto make a fine central span, and yet Haydn chose to let the idea go (something like it is revived in late Beethoven). The Lindsay were as lively with all of it as they were with the tidy D minor quartet op. 42, and as always their strong balance-of-parts kept the music audible from top to bottom.

There were sharpish notes up in the ledger-lines, and the Presto finales of both op. 42 and the D major quartet of op. 76 were a notch over-excited—but it was a hot day, and anyhow the late quartet was richly performed. In particular, its great Largo was unfolded with majestic warmth, fully to the measure of one of Haydn's most splendid gifts to the medium. The Lindsay cellist took his patter-song in the Trio of the minuet in a precise comic mutter: a musical sense of humour is indispensable for Haydn, and it will be invaluable in the coming September marathon.

Prometheus in Evin/Theatre Upstairs

Claire Armitstead

Something the South African writer Nadine Gordimer once said helps to explain the force that drives this show by the exiled Iranian company Mazdac. "I come to America, I go to England, I go to France. Nobody's at risk. They're afraid of getting cancer, losing a lover, losing their jobs, being insecure . . . it's only in my own country that I find people who voluntarily choose to put everything at risk." The country and the politics are different but the motivation is the same in this powerful new play of opposition, which brings Mazdac back to the Royal Court's Theatre Upstairs two years after their debut there in *A Cry With Sewn Lips.* In their application of the Prometheus myth to the lot of the intellectual in present-day Iran, they harness a passion that finds no easy equivalent in the everyday experience of theatre-going London. The fact that they relay it in Farsi makes it doubly tempting to pass them by.

Yet here, with the help of a fairly detailed synopsis, is a work that burns with insights gained at the sharp end of contemporary world politics. The dramatist and director, Iraj Jannatie Ataie, writes autobiographically. Imprisoned under the Shah and exiled under the Ayatollah, his vision embraces the guilt of the dissenter who has run away. His protagonist, *called simply Man, is a poet* who cracks under torture by a cynical military. Forced publicly to recant at the end of the first act, he spends the second in a slough of self-pitying torment. His wife has been raped; his friends have deserted him; he has watched his comrades dying when he was incapable of doing so.

In one sense he is the doomed Promethean hero destined to have his liver eternally picked over by political vultures; in another he is an ordinary man whose intellectual status has made him redundant, even dangerous, to the very cause he espouses. In one of the most effective scenes of the play he is interrogated by a revolutionary theorist who poses the central dilemma of the play: If the people are miserable they can raise their own voices. Who gave you the right to feel responsible for them? The words are from the synopsis, but the sentiment crowds out from the scene between Nasser Memarzia's palpably nerve-shattered Man and the interrogator who, for a moment of extraordinary dramatic *weight, hovers on the border-*line between conviction and fanaticism—not a thug, like his henchmen, but an idealist whose face is lit up with a genuine belief before it fixes in the rictus of the inquisitor.

In their portrayal of the realities of torture and disintegration, Mazdac are unsparing: the rape of Soudabeh Farrokhnia's long-suffering Woman, the flagellation of Man are presented with a directness that is not always comfortable, but the characterisations are chillingly and unsentimentally real and the language swings eloquently from the sharp, rhythmic soliloquies of suffering to the lyricism of emotion recollected in tranquillity. This is a brave, strong show which deserves to find an audience in Sloane Square.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Opera and Ballet

July 3-9

ITALY

Milan: Teatro alle Scala: A memorable revival of Giorgio Strehler's 1981 production of Marriage of Figaro, acclaimed both musically and visually. Riccardo Muti conducts a cast which includes Anne Sofie von Otter, Claudio Desderi, Eugenia Moldoveanu, Patricia Pace and Milena Pauli. The sets are by Ezio Frigerio and the costumes by Franca Squarciapino. Also a new opera by Franco Mannino, Il Principe Felice, conducted by Franco Mannino and directed by Sandro Sequi with sets and costumes by Emanuele Luzzati. The cast includes Patricia Pace, Laura Zannini, Aldo Bramante and Ezio di Cesare. (80.91.26).

Rome: Terme di Caracalla: A new production of Aida by Sulvano Bussotti opens the Rome Opera's 50th summer season. Leona Mitchell sings the title role, and Ermanno Mauro, Badamea. Julius Rudel conducts. (46.17.55).

Rome: (Villa Medici Festival): French Academy – Piazza Trinita Dei Monti: The Emile Dubois Company in Daphnis et Chloe, choreography by J. C. Gallotta. (67611).

Verona: Arena di Verona: The 65th Verona Festival opens with La Traviata conducted by Ralf Weikert and directed by Gianfranco de Bosio, with Nelly Mericiou, Jose Carreras and Giorgio Zancanaro. Also, Aida conducted by Donato Renzetti and directed and designed by Pietro Zuffi. The cast includes Maria Chiara, Nicola Martinucci and Flirenza Cossotto. (23520).

Turin: Parco Rignon: Ballet Gulbenkian with two programmes: works by Kylian, Bruce, Roriz and Wellenkamp. (The festival lasts 25 days, and is offering 16 different programmes by 13 foreign companies). (54.45.62./55.78.246).

BRUSSELS

Théâtre Royale Mounaie (218 1211): Falstaff conducted by Sylvain Cambreling with Jose van Dam, William Stone, Laurezae Dale and Barbara Madra.

SPAIN

Barcelona, Grec 87 Japanese company Sankai Juku's Unetsu, music by Yasukazu Sato and choreography by Ushio Amagatsu at Teatre Grec, Mont Juic. Also Spanish group Ananda Dansa's Cronica Civil (V-36/39) using the technique of ballet and lights, shows a child's vision of Spanish post Civil War at Casa de la Caritat, Montalegre 5.

Granada Festival offers Spain's Ballet Nacional: Paco de Lucia's Los Tarantos choreography by Felipe Sanchez and Manuel de Falla's popular El Sombrero de tres Picos choreographied by Jose Antonio with original costumes designed by Picasso. All in the most extraordinary setting, the Alhambra's generalife gardens.

Madrid, Gounod's Romeo et Julietta stars Spanish cast: Ana Maria Gonzalez, Ascension Gonzalez, Ifigenia Sanchez and top tenor Alfredo Kraus. Teatro de la Zarzuela, Jovellanos 4.

NEW YORK

New York City Opera: The season opens with a week of The Student Prince with Jon Garrison in the title role, Leigh Munro and Brian Steele, conducted by Paul Gemignani directed by Jack Hofsis. Lincoln Center (870 5570).

TOKYO

Stanislavsky and Nemirovich-Danchenko Moscow Musical Theatre Ballet: La Sylphide and Cayan. Hitomi Memorial Hall, Showa Women's College, Saggenjaya. (Thur). (265 6361).

José Miguel and Flamenco Dancers: Asahi Hall, Yurakucho, near Ginza. (Mon, Tue, Wed). (475 5220).

Carmen by Nikikai Opera Company. Shinjuku Bunka Centre. (Tue, Wed, Thur). (370 6441).

LONDON

Coliseum: London Festival Ballet opens a season on Tuesday with Nureyev's Romeo and Juliet. (836 3161).

WEST GERMANY

Cologne, Opera: Andrea Chenier features Vladimir Popov, Wassilio Janulako, Galina Savova and Eva Tamassi. Die Hochzeit des Figaro is respectable with Teresa Ringholz and Hubert Möhler. Coppelia, choreographed by Jochen Ulrich, rounds off the season. (20761).

Stuttgart, Württembergisches Staatstheater: Die Frau ohne Schatten brings Karan Armstrong, Karl-Friedrich Dürr, Roland Bracht, Nancy Johnson and Toni Krämer together. Der Liebestrank is steered to triumph by Lucia Aliberti's brilliant Adina. (20 321).

Saleroom/Antony Thorncroft

Nudes fetch top prices

A red chalk drawing of a standing nude male, with a seated male nude on the verso, by the early 16th-century Italian artist known as Pontormo sold for £352,000 at Sotheby's yesterday to the London dealer, Tan-Bunzl. It was a record price for the artist and around double the estimate.

Old Master drawings are a particularly strong market at the moment and the auction totalled £2,158,695, with just over 9 per cent unsold. This was largely accounted for by the failure of a Claude Lorrain study of trees to find a buyer. It was bought in at £80,000. It is an impressionistic work, quite unlike Claude's other drawings.

A seductive reclining nude by Boucher, one of the many preparatory drawings for his painting "The dark-haired odalisque," went for £352,000. It was sent for sale by the Kimbell Museum in Fort Worth, Texas. Unlike museums in the UK, American museums see nothing wrong in selling off surplus works to raise money for acquisitions in other areas.

A more conventional river landscape with figures by Claude went to a US collector *for £220,000, while the Boston* dealer, Ars Libri, paid £132,000 for a volume of 105 drawings of machines and engineering devices by the 15th-century Siennese artist Francesco di Giorgio, and assistants. A similar album is in the British Museum. The price was well below estimate.

A feature of the auction was six rare and unpublished drawings by Giovanni Battista Piranesi, five of which were preparatory studies for etchings in his great series "Le Vedute di Roma," which came out over 30 years from 1747. Very few drawings of the "Vedute" have survived, and it was assumed that Piranesi worked directly on to the plate.

Marlborough Fine Art of London paid £93,500 for a view of the Campidoglio and Sta Maria in Araceli, and the same sum for a view of S Giovanni Laterano. A view of the Porto di Ripetta went for £60,500.

The sale contained two lots once owned by the late Lord Clark and sold by his heirs. Three allegorical figures in a niche, Veronese school, 16th century, just about doubled forecast at £22,000, and a design for a lunette by Petino del Vaga realised £6,820.

The Hon Jonathan Guinness has sent for sale at Sotheby's on July 15 a landscape by Gainsborough which should make £1.5m. Entitled "Wooded landscape with cattle by a pool and rustics outside a cottage," *it was painted during Gains*borough's final London period. It sold for £1,081 in 1782. It features in a good auction of British pictures.

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Fiddling the bid figures

ACQUISITION AND merger accounting is one of the least understood aspects of the recent takeover boom. It is also, as the Bank of England has rightly diagnosed, very important because it has a dramatic impact on corporate behaviour. If acquisitive entrepreneurs are allowed to inflate their earnings through creative accounting, thereby boosting their own share prices, sound companies will end up in the wrong hands and the market in corporate control will be distorted. All the signs are that this has been happening in Britain, most notably in retailing, but also in other sectors of the market.

For this the Accounting Standards Committee must take a fair share of the blame. The tendency over the years has been to offer the corporate sector more scope for creative takeover accounting rather than less. Where paper offers are concerned, management has a considerable degree of choice between the two main methods of portraying the results of an amalgamation: acquisition accounting and a pooling of interests. The choice can produce very different earnings figures where, say, the pattern of earnings is seasonal or the acquisition has been made early or late in the year. A predator can hardly be blamed for opting for the method that most flatters the results.

Artificial boost

Also worrying is the way in which acquisitive companies have been playing fast and loose with the value of the assets they acquire. In acquisition accounting, which is the more widely used of the two main methods, best practice dictates that the acquired assets are incorporated in the bidding company's balance sheet at "fair" values which bear some relation to present reality as opposed to historic cost. Some of the sharper shopkeepers in the retail sector have interpreted this to mean that they can write down fixed and current assets of the acquired company to absurdly low levels.

This results in a lower charge for depreciation on the shrunken value of the fixed assets and an inflated profit on the subsequent sale of stock that has been written down. Reorganisation costs can also be made to disappear into the murkier regions of the balance sheet without depressing earnings per share.

Those who believe that stock markets are efficient, in the sense that they reflect all known information, argue that this is no cause for concern because the accounting policies are usually disclosed, however discreetly, in the notes to the accounts. Much of the artificial boost to earnings is won at the cost of a real reduction in net assets in the balance sheet.

Yet, in practice, stock market analysts concentrate increasingly on earnings in the preliminary statement rather than on the more detailed figures in the full accounts. Only now is the market distinguishing between good managers and creative accountants, when many a questionable takeover has gone through. Moreover, something very curious is going on—"inefficient" in the jargon—when, for example, British companies in the US are busily outbidding the natives for companies in the quarrying and aggregates sector simply because British rules for writing off goodwill arising on acquisition are much less stringent than those in the US.

Limited value

Much of the answer to the problem lies in a tougher response from auditors. This is doubly important because many of the more creative predators have very generous earnings-related share incentive and bonus schemes. Happily, a hint of firm auditing is beginning to be felt at the acquisitive end of retailing.

But the auditors need support from the Accounting Standards Committee, in the shape of tighter rules governing the choice between acquisition accounting and a pooling of interests. All reorganisation costs should arguably be shown as a charge against profits above the line. And there should surely be full disclosure of provisions and write-offs against an acquired company's assets. Without some reconciliation with the balance sheet before the acquisition, the assets can disappear into a black hole.

The accountancy profession and the Department of Trade and Industry should also address the problem that increasing reliance is now being placed on company disclosures that are not covered by the statutory audit. An audit report is of limited value when the market is pinning faith on selective or inaccurate information in the unaudited interim and preliminary statements and in the chairman's report.

Tanker risks in the Gulf war

THE REAGAN Administration's decision to place 11 Kuwaiti oil tankers under the American flag, and thus to give them US naval protection, has opened a new and potentially much more dangerous phase in the Gulf war. Everyone involved in the plan, which is due to proceed in the middle of this month, admits that it carries the risk of drawing the US into the centre of a conflict whose effects on the wider world have hitherto been remarkably circumscribed.

If Iran continues to attack Kuwaiti vessels regardless of their flag, Washington will almost certainly have no choice but to respond by directly engaging Iran. Whatever the gung-ho rhetoric from the White House and the Pentagon, it is questionable whether such a confrontation would be in America's genuine national interest. It is also open to doubt whether the US has either the capacity or the stomach for what could be a long drawn-out military operation so far from home.

Hastily conceived

A good case could be made for protecting Kuwaiti ships provided that such an arrangement formed part of an overall plan to safeguard ships of all nationalities in the Gulf. Although vessels trading with Kuwait have been singled out for Iranian attack in the last year or so, they are not the only victims of the so-called "tanker war."

The US Administration, however, has created quite unnecessary problems for itself with its hastily-conceived reflagging plan. At the outset, it failed to consult properly with Congress, thereby stoking passions already inflamed by Irangate. Secondly, the way in which the agreement with Kuwait was concocted—as a rushed response to similar Soviet moves—was hardly conducive to reasoned planning. Nor were the repeated claims from senior Administration officials that a Soviet agreement to charter three oil tankers to Kuwait threatened to turn the Gulf into a Soviet lake—statements which hardly accord with the conservative political attitudes of the Gulf states.

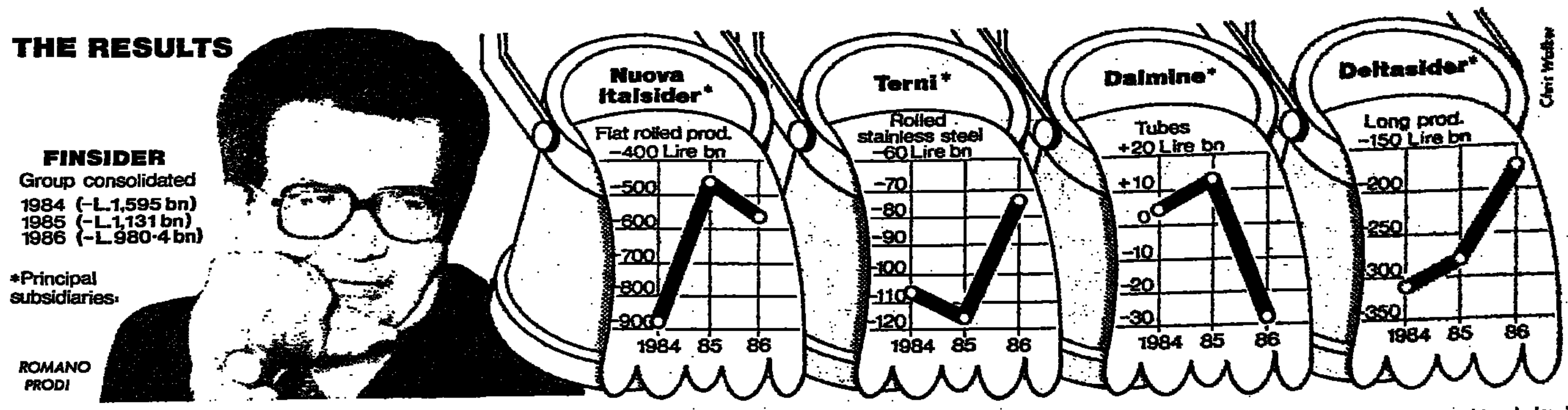
Thirdly, in the wake of the attack on the US frigate Stark—an attack for which Iraq was responsible, not Iran—President Reagan raised the temperature further by giving the false impression that there was an imminent Iranian threat to freedom of navigation in the Gulf, and to the free flow of oil through the Strait of Hormuz.

All this sound and fury misses the essential point, which is that the main threat to freedom of Gulf navigation is not Iran but Iraq. It was Iraq which, conscious of its inability to win the war with Tehran on the ground, initiated the tanker war in an effort to choke off Iran's oil exports and internationalise the conflict. Baghdad has been responsible for 61 per cent of all tanker attacks in the Gulf, according to the State Department's own figures, and it started the latest bout of strikes at neutral shipping on June 20. Iraq has a growing ability to export its oil by pipeline over land, and hence has much less need of the sea routes than Iran.

The Iranians, by contrast, have repeatedly made clear their willingness to halt attacks on shipping if Iraq will do the same. The fact that they have singled out ships trading with Kuwait for hostile action in the last year points more to Kuwait's importance as a transshipment port for Iraq than to any Iranian desire to broaden the scope of the war. It is notable that Saudi Arabia, which is a bigger financial supporter of Iraq than Kuwait, has suffered hardly any such attacks.

Even-handedness

This suggests the importance of maintaining at least some semblance of even-handedness in the war. The Saudis, while not wavering in their backing for Baghdad, have been careful to keep their lines open to Tehran. Rather than openly taking sides, Washington should be urging the cause of restraint—if necessary by trying, through Iraq's financial supporters, to persuade it to desist from attacking ships. In itself, that will not bring the likelihood of a feared Iranian victory in the war any closer.



Italian Steel

In the boardroom, the heat is on

By John Wyles in Rome

ROMANO PRODI has been in an uncharacteristic state of purdah over the past few weeks. Not normally a man to shrink from publicity, the breezy chairman of IRI, Italy's colossal state holding company, has recently kept his public appearances to a minimum.

The former Professor of Industrial Economics at Bologna University has been working on a problem central to the fortunes of the company, which made a small profit in 1986 after years of huge losses. The problem is Italy's publicly owned steel industy. Mr Prodi's failure so far to put it back on its feet is beginning to hurt his reputation as one of his country's best managers.

The issue has promtped the most serious challenge yet to Mr Prodi's authority within IRI and today he will be making yet another attempt to persuade his reluctant executive committee to accept changes at Finsider, IRI's steel holding company.

After nearly five years as IRI chairman, the distress of Finsider is clearly embarrassing for Prodi. In 1983, soon after he took over, he was talking confidently of cuts in capacity and employment which would lead the ailing giant back to health.

In that year Finsider's steel businesses—the group also includes cement and heavy plant manufacturing — lost L2,085bn (£997m) after producing 12.16m tonnes of steel with a workforce of about 92,000. Last year, with a workforce of 78,000 producing 13.06m tonnes of steel Finsider lost L856bn. In the intervening two years losses totalled L2,255bn. The world's third largest steel company, Finsider has not been out of the red since 1974.

Even in the European context, the company is special. Usinor-Sacilor in France may have lost more money last year and Belgium's Cockerill Sambre may still be struggling for turnround but the European Commission believes Finsider is the most difficult of the three. (Even British Steel, which used to be one of Europe's biggest loss makers, will today announce results making it one of the world's most profitable producers.)

Finsider's losses are almost certainly being financed in breach of European Community rules by the Italian Government and some kind of restructuring agreement will have to be reached to restore financial order, legal probity and some prospect of recovery.

The Commission is, therefore, watching Mr Prodi's travails with interest. For the past three months the focus has been on two objectives: the production of a credible recovery plan for Finsider and a change in the company's top management. Planning has, in the past, been one of the Finsider management's weakest functions. A three-year rolling plan is updated every year; but for the last six years several aspects of the forecasts have been extraordinarily wrong.

The 1984 plan forecast a modest profit of L7bn for 1986; the following year's update boosted this to L29bn. By early 1986, Finsider was forecasting a L380bn loss, well short of the actual outturn of a L856bn deficit.

Also in 1984, Finsider scheduled a cut in employment from 99,000 to 92,700 by 1986. In 1985 the forecast was revised to 88,300 and in early 1986 to 85,300. Employment at the end of last year was 79,776.

"Finsider has spent most of its time telling IRI and the politicians what they want to hear," says Mr Walter Galbusera, a senior leader of the UIL trade union confederation. Finsider has tapped the exchequer for nearly L14,000bn for recapitalisation and modernisation since 1981.

For the past six weeks, Mr Prodi has been fighting his four colleagues on the IRI executive to tackle his second objective for Finsider: a change in personnel at the top. When the new chairman arrived at IRI in late 1982, Mr Lorenzo Roasio had occupied the Finsider presidency for about a year. Mr Prodi created the post of managing director in 1984 for Mr Sergio Magliola, who until then had been running Italsider, the principal operating company. At the beginning of this year, Mr Prodi decided that the two should pay the price for failure and that their contracts should not be renewed after the end of June. But his colleagues on the executive are resisting dropping them in favour of a new team.

The reasons are partly political. The IRI executive mirrors the five-party coalition Government which appointed it—in other words, Mr Prodi is a Christian Democrat and his four colleagues acknowledge affiliations to the Social Democrat, Socialist, Republican and Liberal parties.

They are party representatives, because, in the words of Mr Massimo Pini, the Socialist on the IRI executive, "economic and industrial policies involve choices which are essentially political."

> The reasons for resistance to Mr Prodi are partly political. IRI's executive mirrors the five-party coalition Government which appointed it

Some of the hesitations of the IRI comittee over Finsider have been calculated to maximise Mr Prodi's embarrassment. Mr Pini, for example, makes no secret of his dislike of Mr Prodi's "presidential" style of management and wants to use the Finsider question to strengthen the Socialist presence in its management and to broaden the executive committee's participation in the running of IRI.

IRI has been steadily increasing pressure on the Finsider management to come up with a viable plan to end the crisis, so far without success. A three-year recovery plan submitted to IRI in May was rejected out of hand partly because it forecast continuing losses throughout the plan period. A revised plan was put forward in June, postulating breakeven sometime in 1988—but with some odd reversals in policy.

The first plan recommended privatisation of Finsider's heavy engineering (Italimpianti) sectors, traditionally dominated by Italian private companies. By June, however, Finsider had changed its mind and opted to keep the heavy plant business and some long products capacity because, it was argued, Deltasider's results were showing an improvement on last year's L173bn and management was reluctant to turn the business over to the private sector.

The second plan would require L3,800bn over the next three years for recapitalisation, debt repayments and redundancy incentives. Finsider thinks it can raise L2,200bn from the private sector, though IRI experts have concluded that this seems to ignore the group's weak bargaining position in negotiations with the private sector.

Around 18,000 jobs would disappear through closures and rationalisation. This does not include 3,500 at Bagnoli, which is among the most celebrated and controversial steel names in Europe. European Commission steel experts say Bagnoli, redeveloped at a cost of L800bn after 1979, should not have been bailed out — and particularly not with Community money. But "we all made mistakes in the 1970s didn't we?" said one official last week. The "mistake" puts income directly into 3,500 households which might otherwise be afflicted by unemployment.

In Rome, Bagnoli still looks too painful a nettle to be grasped by politicians who have not yet had to authorise a single forced redundancy in publicly-owned steel. The 50,000 workers who have left since 1980 have done so mainly through early retirement.

But Bagnoli is losing about L120bn a year because EC quotas allow it to produce only 1.2m tonnes of hot-rolled coils out of the total capacity of 2m tonnes. "Evidence again of the weakness of our politicians who have failed to defend the potential of our steel industry in Brussels," says Mr Galbusera of the UIL.

"Bagnoli should be closed for good environmental and industrial reasons," says Mr Arturo Artioli, president of the private steelmakers, the so-called Bresciani. Adjacent to the old city of Naples, Bagnoli is an eyesore, although huge amounts of money have been spent to limit the considerable threat of pollution from it. The Bagnoli site could be used for tourist development, which sponsors of the scheme say might provide an equivalent number of jobs to the steel works.

"But is it reasonable to close Italy's most modern plant in exchange for the uncertainties of tourism?" asks Mr Galbusera. "It is almost unthinkable."

In a European Community where surplus steel capacity is estimated at 30m tonnes, closure of Bagnoli would obviously make industrial sense. Its modernity certainly would not guarantee a profit, even if running at full capacity.

Until mid-1986, the Finsider management believed that the company was on the way to a recovery which would be sealed this year. The facts were frequently trotted out for the benefit of the doubting: the group had been reorganised around four core activities: flat rolled steel, tubes, laminated and specially treated steels, and long products.

The workforce had been reduced by 50,000, capacity cut by 5.8m tonnes or one third, plant utilisation had risen from 57 per cent in 1980 to 75 per cent and the most modern continuous casting method of steel-making accounted for 78 per cent of output as against 29 per cent in 1980.

The last year disaster struck, in the shape of falling exports to markets such as the US, the Soviet Union and China at the same time as an 18 per cent plunge in domestic consumption. Revenues plummeted due to a worldwide price war and competition from Third World producers.

Yet the malaise is almost certainly more than conjunctural. An independent study by Professor Margherita Balconi of the University of Pavia, suggests that Finsider still has some way to go before its industrial, commercial and financial structures are on a sound footing.

Manpower reductions are still necessary, both to raise productivity and as a consequence of closing loss-making plants. And some of the workforce still need training to a higher level of operational and technical efficiency, says Prof Balconi.

She agrees with Finsider on the need for recapitalisation. The company's plan proposes writing down the value of plant and equipment by around L2,800bn to help reduce the cost of amortisation and debt payments from around 12.7 per cent of sales to more internationally comparable 7 per cent.

The question for the future is whether Finsider, IRI and ultimately the politicians, are prepared to put industrial, commercial and financial good sense on a par with saving jobs.

Mr Pini says that attitudes are changing in Italy. The logic of spending huge sums of money to save jobs is now being called into question. The view now is that we must have employment to create wealth. — Italian taxpayers might agree that there could be no better place to start than Finsider.

Men and Matters

Fair faces in the Revenue

The wrath of 55,000 tax inspectors is terrible to behold. Letters strong enough to burn through stainless steel have been winging their way to the Advertising Standards Authority, and to poor Sir Kit McMahon, chairman of the Midland Bank, protesting about an advertisement portraying a tax man.

The offending item appeared in both the Independent and the Observer newspapers.

Placed by Midland Business Banking it features a large portrait of the said tax man, with tears in his eyes because the bank has been so clever at tax management on behalf of its clients. To me the picture looked like a positively benign version of any tax man I had ever met.

But beauty—or the lack of it—is in the eye of the beholder. On behalf of his cohorts, Tony Christopher, general secretary of the Inland Revenue Staff Federation, has fired off complaints about the advertisement, claiming that "music hall advertisements" do not do justice to the sterling work being performed by his members.

The taxman in the ad, is a leathery-looking cove, reminiscent of Soames in the Forsyte Saga.

"Foul," cries Christopher. He would have us believe that the average "taxman" is more likely today to be a woman in her early twenties earning between £100 and £140 a week.

Mystery tour

Rupert Allason, the new Conservative MP for Torbay and—as yet—still more widely known as spy story specialist, Nigel West, has already got his new colleagues at Westminster puzzling over a strange omission from his maiden speech.

Given the nature of his constituency, there was no mystery about the subject, tourism. But he was the only one of the five maiden speakers in the debate who did not conform with tradition and pay tribute to his predecessor as MP. Until his retirement at the general election, Sir Frederic Bennett, a company director and financial consultant, represented the Devon resort for over 30 years.

Allason even found time to pander to Dale Campbell-Savours, Labour MP for Workington, who has made liberal use of Allason's published references to MI5 in pursuing his campaign over the alleged plot to discredit the Wilson Government in the 1970s. Apparently many ex-members of the security services live in retirement at Torquay. They now have a new mystery to ponder over.

Political sport

When Kim Young Sam, the South Korean Opposition leader, feels under particular pressure from the country's erratic and often threatening political system, he dons his hiking boots and takes to the hills.

Along with his supporters in the Democratic Alpine Club, he enjoys the fresh air and relative privacy of the mountains, away from the prying eyes and ears of officialdom.

Six years ago, the Alpine Club was the only way in which politicians favouring democracy could meet for discussion. All political parties were banned aond many politicians and other opponents of the Government of President Chun Doo Hwan were in gaol.

The atmosphere is now more relaxed but the connection between sport and politics in South Korea remains. Apart from the worries over staging the Olympic Games in Seoul next year, university sporting activities can be tinged with political significance.

A marathon run joined by several hundred women students at Ewha University earlier this year was held to commemorate a student uprising in 1960, which led to the overthrow of the regime of South Korea's first president, Synghman Rhee.

Students have not been slow to put sporting equipment to good use in their main political activity—battling against police during demonstrations. At one university, a group of students was spotted hauling a soccer goal-net down to the main entrance of the campus, where riot police were lined up, tear gas at the ready.

Adroitly wielding the goal-net, the students managed to catch the tear gas shells as fast as the police lobbed them. Like most demonstrations before last week, this one ended in a no score draw, with the only winners being the tear gas manufacturers.

No light

The International Institute of Communications, the independently-funded telecommunications research group, pulled off a neat coup by bringing together two of the protagonists in the row over Cable and Wireless's plans to expand in Japan.

Nobuo Io, president of International Telecom Japan, and Hideo Suetsugu, his opposite number at International Digital Communications Planning, the group in which C and W has a stake, appeared at an IIC conference in London. Both men gave detailed accounts of what their groups are aiming to do in the newly-liberalised Japanese telecoms industry — but beyond that, they cast little light on the state of negotiations in Japan.

Talks are now going on in Tokyo between the shareholders in the two companies on a possible resolution of the row. The dispute has, of course, become a political issue following the British Government's intervention to try to prevent the Japanese from diminishing C and W's role in the proposed new international carrier.

But as the two executives explained in their speeches, the approach of their respective companies remains clearly different, with IDC advocating a much more radical expansion plan based on a new, privately funded, trans-Pacific fibre optic cable.

The only point on which the two men seemed to agree was that it was practically impossible to tell how the issue would be resolved. "It is very difficult to predict the behaviour of any Government," said Ito. "My best guess is that we have a 50 : 50 chance of getting a favourable decision," said Suetsugu.

Cut and thrust

Delegates who assembled yesterday in Scarborough for the biennial conference of the Transport and General Workers' Union were wondering what to make of their present this year from the union.

Normally, delegates are given a small token by the union to reflect the area in which the conference is being held.

Clearly, this year's gifts were meant to reflect the traditional products of one of Yorkshire's main manufacturing cities—Sheffield. But delegates were clearly wondering whether the gifts implied anything about the (at times) internally-riven TGWU. The presents? A set of five knives—"one for each day of the conference," one TGWU leader cracked.

Game point

Notice in Tokyo hotel: "You are kindly requested to take advantage of the chambermaid."

Observer

Letters to the Editor

US bidding in UK brain drain is highly selective

From Professor D. Noble

Sir,—David Fishlock's otherwise careful (but rather complacent) analysis (June 30) of the Royal Society's report on the brain drain is quite incorrect in saying that it "sharply refutes" the claims of the scientific community. Certainly, if he had listened to the many radio and TV broadcasts I have made on the subject during the last year he would have noticed: that I have always emphasised the loss of top quality people rather than total numbers leaving the UK; that I have also said that the US is bidding for people on a very highly selective basis (they do not need to look for large numbers since they graduate a far larger fraction of the population than we do); and that the far more worrying problem is the lack of an attractive career in science research for young people. My scientific colleagues also have spoken in public and have said the same thing.

I do though strongly agree with Fishlock's conclusion that the more alarming trend is "towards Britain becoming a less attractive place for the brilliant young don." As he says "Britain could be in danger of giving away an expensive investment in training scientific brains." Where we still differ on this matter is that I think it is a problem now, not just in the future. Its solution requires immediate action if we are to keep a strong science base. The most urgent (and cheapest) solution is to fund top quality research. This could be done for £100m/annum, which is about 2 per cent of what the Chancellor had at his disposal in the pre-election budget.

(Professor) D. Noble.
University Laboratory of Physiology, Parks Rd, Oxford.

A new airport for Scotland

From Mr A. Buchanan

Sir,—The note (June 23) on the BAA pathfinder prospectus by your aerospace correspondent Michael Donne mentions its five-year capital expenditure plan, including the expansion of Glasgow airport.

From my combined viewpoint of (a) a native Glaswegian (b) an expatriate Scot (c) a frequent flier I enter a plea for the directors of the newly privatised BAA to look hard at the commercial wisdom of further investment in the rather awkwardly located Glasgow airport.

What the traveller to Scotland, businessman or tourist, really requires is a new and central airport, sited mid-way between Edinburgh and Glasgow from where, using the *existing motorway* and rail links, a journey time of around 30 mintes to either city centre should be possible.

The three *existing* airports at Edinburgh, Glasgow and Prestwick should be phased out, leaving the new central airport as the regional hub to handle all commercial traffic with US and Canada, with the northern half of Europe and with the rest of UK. With the growth in airport traffic which the Department of Transport is forecasting in the 1990s, this new airport should achieve a commercially viable *existence*, something which is more difficult to see for the three airports which at present share the region's air traffic.

BAA should not be dismayed by the obvious difficulty of gaining planning consent for yet another new airport. It will have convincing arguments in its favour. First, for the environment, the phasing out of Edinburgh, Glasgow and Prestwick will return valuable land for agricultural or residential use in amounts which more than compensate the acreage taken over by the new airport. Second, the construction and later the ongoing commercial operations of this major regional airport would create several thousand jobs in the industrial heartland of Scotland, just where they are most needed at present.

There is a great opportunity here to demonstrate that privatisation means business. The creation of a major and successful airport serving the air transport needs and improving the employment situation of Scotland's main population centres would bring vivid proof of the benefits of privatisation in a way which the people—and the voters—of Scotland would surely recognise and support.

A. B. Buchanan.
Bank of London and South America, Reconquista 101, 1003 Buenos Aires, Argentina.

Teaching the French way

From Mrs S. Rogers

Sir,—"One of the reasons why the French are superior . . ." (Joe Rogaly, June 25) — you must not believe everything you are told. If the French tell you they are superior, it is not necessarily true.

Mr Rogaly's English correspondent is a very lucky woman, but definitely not typical. Her experience of a rural French school is not comparable with urban English schools (he mentioned the Borough of Brent). As far as school meals are concerned, I would imagine rural English menus to be superior to these found in city schools. My experience, based on 14 years spent in Marseille, was far from idyllic: a self-service system was set up in my daughter's primary school, with the result that she chose pasta or rice every day, never touched green vegetables and avoided protein like the plague. Very little fruit was served.

School hours in france are from 8.30 to 5 pm. For a six year old this is very long. When I came to fetch her at her grandma's at 6 pm after work, she was nearly always asleep in an armchair. Homework, I feel, is unnecessary for primary school children — in France there is far too much emphasis on this. I always felt that my daughter never slept enough, and this was due both to the long hours and the excessive homework.

Yes, the books are beautiful, but you have to pay for some of the textbooks and all the exercise books. There is also no uniform in state schools. This creates the inevitable divisions between children whose parents have varying incomes. *"La rentree" is dreaded by* most parents — a very expensive affair.

Industrial action: that bit was hilarious — do the French never go on strike?! Are French children never sent home with little or no warning?

Parental involvement: then again, Mr Rogaly is generalising. Some parents may do as is expected of them, but there are those (as in all countries) who are not interested in their children's schooling, or are just too tired at the end of the day.

The result of this marvellous, unimaginative, exhausting French system: at the age of 11 my daughter slipped with the greatest of ease from the last year of primary school in France to the 1st year of secondary school in England. All she had to do was to learn the language and that was 90 per cent mastered in six months.

(Mrs) Sheila Rogers.
17 Oak Grove, Eastcote, Middx

More trench war in Brussels

From the President, European Grain Trade Association (Coceral)

Sir,—I share the concerns stated in your editorial (June 25), "Trench war in Brussels" and, although delighted that agreement was reached, feel that what was agreed falls far short of the fundamental reform which is needed in the cereals sector.

I believe most people agree farm policy must have two objectives: to build a sound and efficient farming industry, and to bring supply and demand into equilibrium. Past policies have not done this. High guaranteed prices for products have led to capital gains for land holders rather than the wished-for levels of income for producers. Quotas, by handicapping the efficient when they want to expand, shackle progress. Set-asides are also incompatible with production efficiency. They are unlikely to be effective unless all trade in agricultural products into and out of the Community is prohibited. And finally, they are impractical because of the millions of small farms in southern Europe.

True reform will recognise that adequate farm income cannot be guaranteed through prohibitively expensive existing programmes. It is time to sever that link and to begin moving towards a system that recognises the social and economic needs of the rural community must be separated from the guaranteed level of commodity prices. Until that vital step is taken, the "trench warfare" of your headline is likely to remain a fixture of your news columns for some time to come.

David Nelson-Smith.
Cargill UK.
3 Shortlands, W6.

Happy bands of brothers

From the General Secretary, Trade Union Congress

Sir,—I read the contribution of Mike Rothwell (June 26) with close interest. I suppose that from a place in Carthusian Street, permeated no *doubt* over the centuries by the green and yellow libations which are the most renowned contribution of the Carthusians, a Trappist TUC would be welcome. Mr Rothwell may be sorry to learn that if we were to follow any Order it would be the Jesuits—militant, pragmatic, intelligent and effective, though some of us would not say no to the odd glass of Chartreuse.

Norman Willis.
Congress House, Great Russell Street, WC1.

Engineers and accountants

From the Secretary, Institution of Mechanical Engineers

Sir,—Among the maxims attributed to accountants by Michael Dixon (July 1) is the one:- "*All engineers are spendthrifts.*" A defensive response from engineers that: "All accountants are skinflints" tempts—but one should resist generalisation.

The accountant, familiar with balance sheets rather than blueprints, will regard the engineer's demands for a share of financial decision making with scepticism. The engineer these days is well aware of the importance of working within budgets. At the frontiers of new and untried technology engineers must command the resources to meet the unforseeable. This does not make them spendthrift.

There will be better relations between accountants and engineers when a mutual understanding of the roles of wealth creation (by engineers) and wealth counting (by accountants) is reached. With these professions in harmony what results, Sir, might we achieve?

R. W. Mellor.
1, Birdcage Walk, SW1.

Patents and management

From the Comptroller-General, Patent Office

Sir,—Mr Parker's letter (Patents and management, June 26) raises pertinent questions about the need for management to become more aware of the need for patents, indeed all intellectual property, to be closely integrated into the cycle of management of new products and ideas.

During the past two years, the marketing and publicity unit of this office has given more than 200 seminars and presentations to many different types of audience. The core of the message which is imparted is the need to have intellectual property as one of the central features of any corporate development plan, and that such a plan should envisage the strategic use of intellectual property in pursuance of the objectives of that plan.

P. J. Cooper
66-71 High Holborn, WC1

Choppy boating weather

From the Chairman, Higher Avon Navigation Trust

Sir,— I refer to the letters from Mr Crowther and Mr *Herbert* (June 26 and 27) I should remind Mr Crowther that about eight years ago the water authority granted to the higher Avon scheme full consent, with conditions, under the Land Drainage Acts.

If Mr Herbert doubts that the higher Avon is extensively used by rowing and sailing clubs then he should walk up river from his castle during almost any summer weekend when he will see not only sailing and rowing clubs but also sea scouts, canoeists, private boat owners and visitors to Warwick enjoying the river in boats. To a less intense degree the same is the case downstream.

Far from having to be "small and portable" as Mr Herbert suggests, craft which could now use more than 80 per cent of the reaches of the higher Avon may be of the largest types able to reach the waterway through neighbouring navigations.

Opposition from anglers and "conservationists" must of course be expected, although it is unfortunate that those who now make full use for fishing of the national waterways system, cannot accept the sort of sharing which has proved to be entirely acceptable elsewhere, not least upon the fully navigable Avon where coarse fishing is of "world" standard and where the most important fishing match in the world was recently *held at the height of* the boating season.

Although, in spite of Mr Herbert's assertion to the contrary, a full cost benefit study has been produced for the higher Avon, the economic benefits to be expected from it might now best be calculated upon the basis of the official figures for the proposed restoration of the Montgomery arm of the Shropshire Union canal. That waterway, which suffers from many disadvantages and whose restoration would involve, among much else, the *building of 13 major road* bridges, would, it is authoritatively stated, when reopened bring to the area more than £200,000 per annum for each of its 30-odd miles and 11 full-time job equivalents per mile. A leading consultant in the field has stated that the return from the higher Avon should be twice that amount of revenue per mile and about 15 job equivalents per mile. The higher Avon is about 12 miles

Long experience elsewhere makes it difficult to accept that there is any justification for Mr Herbert's stated reservations. If, on the other hand, he had expressed fears about trespass on to the castle property by boat crews or the loss of the present income from charges imposed upon craft passing through it, then that would be understandable and the solution to those problems would be obvious and effective. Close co-operation between the castle and HANT in producing attractive moorings to accommodate craft while their crews visited the castle (and paid for the privilege) and the collection by the castle of an appro*priate boat toll.*

David Hutchings.
Station House, Harvington, Evesham, Worcs.

Dangerous to delay in Liberal-SDP merger talks

From Mr R. Lustig

Sir,—Your editorial on Alliance merger (June 25) misses a number of vital points and seems to advise the dangerously wrong conclusion that delay is the best solution.

In politics, as in business, any merger talks are disruptive; they divert attention from the real long-term functions of the leadership at all levels, affect morale, produce a lot of unfavourable publicity and give the competition unrivalled opportunities to gain support/market share during the time of disruption.

This does not mean that mergers (whether in business or politics) should not take place. There are occasions when clear long term benefits make the logic of merger inescapable. The suggested Liberal/SDP merger is definitely one of these cases, but only if it is done quickly—long-drawn-out public debate can only damage both our parties, and if we debate long enough, and particularly if some of our leaders continue with their public posturing, there could be very little left worth merging.

I wish that people who advocate delay would consider the scenario of such a course—renewed arguments over seat allocation and selection methods; separate policy formulation with new traumas over trying to reconcile the two, and the exaggerated importance attached to minor differences in emphasis.

At grass roots, we have worked together as more or less unified units, and an increasing number of supporters are supporters of the Alliance, not one of the constituent parties.

I can see no reason why we should sacrifice this simply to satisfy national leaders who think they have special claims because they gave up careers in other parties.

Their political history is of no interest to me—I am prepared to forgive! What does concern me is their current allegiance and their future intentions. Unfortunately, some have given up all pretence of good intentions and only sharpen their own particular axes.

Talk of 1990 is far too leisurely — by then we could not only be fighting each other in by-elections, but we would probably have fought and destroyed each other in county and Euro elections.

If the SDP leadership really think they are sufficiently different from the Liberals to need a separate organisation then I can see no point in any further talks, but my soundings locally suggest that they are dangerously out of touch with their grass roots, and could become leaders with no followers.

Richard Lustig.
Richmond House, Whissendine, Oakham, Rutland.

With a little help from our friends

FOREIGN AFFAIRS

Edward Mortimer on the rapidly changing relationship between the two superpowers

THE INTERNATIONAL scene is changing at bewildering speed—so much so that the actors in the drama seem at times as much bewildered as the audience. "The Administration finds itself embraced by Social Democrats and Greens in Germany, Labour in Britain, and questioned by our traditional friends," complained a senior American diplomat last week at a conference in Berlin. "So now we are pulling back, to see if we have gone too far, too quickly."

He was referring, of course, to the recent debate in Western Europe about the "double zero" option, which did indeed produce some unfamiliar alignments. But this is really only a secondary bewilderment. The primary one is caused by the extraordinary change which has come over relations between the two superpowers. After years of threatening each other and vaunting the merits of their respective political systems, they are suddenly appealing for each other's help, and competing to see which can be most forthright about its past shortcomings.

Last week's conference at the Aspen Institute in Berlin—a high level, semi-official dialogue on "managing East-West security"—provided an opportunity to see this process in action.

The Russians opened the proceedings with a well orchestrated expose of the changes under way in Moscow. The central committee meeting which had just ended, we were told, "may be the most important party plenum in history." The procedure had been "very unusual," with members being given the floor at random when they raised their hand, instead of the traditional rota of set speeches. Even Mr Dinmukhamed Kunaev, the disgraced Kazakh leader, had been allowed to speak in his own defence, and expelled only by secret ballot.

As for the substantive importance of the economic decisions taken, this could be compared only with the switch in 1929 from the New Economic Policy to industrialisation, collectivisation and agricultural revolution; only this time the change *was in the opposite direction*, being "based on the recognition that the system adopted in the 1930s—th primacy of administrative over economic methods, over-centralisation, and the diktat of the producer over the consumer—has become a major stumbling block for the development of society."

I asked whether the word "revolutionary," used by everyone from Mr Gorbachev downwards to describe this transformation, was to be understood in its full Marxist sense.

Yes, I was told: "According to the classic Marxist definition, a revolution brings the relations of production into line with the needs of the productive forces. It occurs when the contradictions of the productive forces can't be resolved within the existing structures. We are now trying to prove that it can be done from the top, without a comprehensive social breakdown—but, of course, not without struggles, which are healthy." If I decoded this correctly, it means that there are still class divisions within Soviet society: a revision of Soviet Marxism in theory perhaps even more dramatic than in practice.

On the record, all this is happening "on the basis of socialism." According to one speaker: "The question of capitalism or socialism was solved in our country long ago. Thank God (sic) we don't have to face that." But in private another—and higher ranking—Soviet spokesman, when asked how Mr Gorbachev would respond to the criticism that he was introducing a capitalist system, replied: "He will say, 'What does it matter what you call it, so long as it works?'"

The listening American diplomat was clearly disarmed by this remark, and began congratulating his Soviet friend on the near-unanimous endorsement which *perestroika* and *glasnost* have now secured from the American academic community. Earlier his colleague from Washington had informed the meeting that unlike the Soviet Union, which is in the throes of revolutionary change, "we are in the process of winding down an eight-year administration, and fast entering the lame duck stage.

The object of the exercise on the Soviet side was, of course, not only to explain to us what was happening, but to convince us that we should help: "We invite you to join us, and for the first time in post-World War II history to co-operate with us in a spirit of goodwill and understanding. It will concern the next President of the US and the next governments in West European countries: you must decide what Soviet Union you'd like to see—the old-style, crisis-ridden garrison state, or a state with a normally functioning economy and democratic changes that are becoming (ie they are not yet) irreversible—because it is to some extent dependent on you in the West how it will go."

The Americans were ready for that one, and were not giving anything for nothing. They had their own shopping list, which ranged from the correction of "asymmetery" (admitted by the Russians) in conventional forces, through greater political pluralism in Eastern Europe, to withdrawal *from Afghanistan and* a co-operative attitude in other regional flashpoints such as southern Africa, the Gulf and Cambodia.

Of these it is clearly Afghanistan that riled the Russians most. Discussion of it with the West was, they insisted, "a frustrating experience" because of the "patent unwillingness of Westerners to see the situation other than as a model of a country which wants to live in its own way and is being trampled on by the Soviet Union."

Actually, it was a civil war in which the Soviet Union had intervened most reluctantly, after 14 invitations, and which it was now doing its very best to bring to a peaceful end. The aim was to withdraw, leaving a "genuinely non-aligned Afghanistan" behind it—this *worthy effort being thwarted* mainly by US insistence on supplying Stinger missiles to the most intransigent rebels, who used them to shoot down civilian airliners.

Attempts to draw them into a discussion of the factual accuracy of this view provoked *a display of old-style Soviet ill*-temper, and my own pious suggestion that the solution should be based on self-determination for the Afghan people was greeted with ridicule. Then, with a show of distaste at being dragged down to such a sordid level of argument, *they played the only* card left in their hand: "What about the Contadora plan? When are you going to stop supporting the Contras?

The American response to this was quite as astonishing as anything the Russians had said. Speaking "in a personal capacity," the man from the White House conceded the point with saint-like meekness. "We do recognise the difficulty in Nicaragua," he said, "and I believe you recognise the division of opinion in our country. I think you will see an evolution in our policy, and I do not object to you watching our behaviour there as a test, just as we shall watch yours in some other areas of the world." Soon afterwards the same man told us to expect "a return to multilateralism, and to working through the UN and its specialised agencies." He repeated that the US was looking for Soviet "help" on such issues as Arab-Israel relations and southern Africa.

It is all most diconcerting. They will be beating their swords into ploughshares next.

FINANCIAL TIMES

Tuesday July 7 1987

Lionel Barber looks at the man whose answers today are eagerly awaited by Americans

North evidence holds key to scandal

MARINE Lt Col Oliver North, the central character in the Iran Contra scandal, will break seven months of silence today and tell his version of the affair which has crippled Ronald Reagan's presidency.

The tall marine with the toothy grin will appear in uniform, bedecked with ribbons and Vietnam combat medals, at 9 a m before the joint House-Senate investigating committee. No single testimony has been more eagerly awaited since the public televised hearings opened some nine weeks ago.

Col North has dominated the proceedings from the outset - even al though he has been, as it were, off stage. Previous witnesses have described how he ran a 'government within a government' with its own mini-army, air force, diplomatic agents, intelligence operatives and fund raisers - all in pursuit of a series of highly sensitive and sometimes controversial covert operations, most of which involved secretly arming the Nicaraguan Contra rebels during a congressional ban on US military aid.

His power within the Reagan Administration was such that he was known as 'the five-star marine lieutenant colonel.'

The all-embracing question facing the Iran Contra panel is how this 43-year-old born-again Christian, whose medical records reveal evidence of mental instability, was allowed to wield such influence within the executive. On whose authority, if any, was he acting?

Only Col North can answer this question, which goes to the heart of the Iran Contra affair. Was he a gung-ho cowboy acting on the authority of the President? Was he the secret surrogate of the now deceased Director of the Central Intelligence Agency, Mr William Casey? Or was he merely a magnetic personality who took advantage of the slack leadership of the President and exploited the in-fighting among the President's advisers to form his own secret foreign policy agenda - which proved so close to the President's own wishes that no one dared challenge him?

The answer will provide clues to other subsidiary questions, such as who devised the plan to use secret US arms sales to Iran, first to secure the release of American hostages held in Lebanon, and secondly to use the profits to arm the Contra rebels in 1985 and 1986.

Of course, Col North's testimony is far from the last word. In many respects the next witness - Rear Admiral John Poindexter, his one-time boss and President Reagan's former national security adviser - could be even more important because he had direct access to

Col Oliver North

the President and can contradict Mr Reagan's one enduring denial: that he knew nothing of the diversion scheme.

But Col North supplies continuity to the affair. He moved into the White House as a middle-ranking National Security Council staff aide in 1981 and soon became a pivotal figure in the Administration's policy on international terrorism and as a specialist in crisis management.

Over the next five years, Col North was to help co-ordinate some spectacular covert operations: the 1983 invasion of Grenada, the mining of the Nicaraguan harbours in that same year, the interception of the Egyptian airliner carrying the terrorists involved in the Achille Lauro cruise liner in 1985, and last year's US bombing raid on Libya.

In a sympathetic profile of Col North in this month's Washingtonian magazine, the authors suggest that much of the marine's motivation lay in his desire to restore American pride after the humiliation of Vietnam (where he was wounded and decorated).

When American citizens were taken hostage by terrorists in Lebanon, Col North wanted to get them back home just as much as President Reagan himself. He worked furiously to that end, hopping aroud the globe, conducting secret diplomacy with foreign governments in Iran and Israel, boosting the morale of the hostage families and in his view serving the highest needs of his country.

This image - which caused Mr Reagan to describe Col North as a national hero when the scandal broke last November - will be heavily touted in testimony this week. But there is another side to Col North's character, an impatience with institutions and conventions in government which at best show him to be naive, at worst (in the eyes of his numerous critics in Congress) a threat to a democratic society where checks and balances rule.

According to earlier testimony, Col North benefited personally from some of the Iran arms sales profits. He tried to conceal the origin of a $14,000 home security system paid for by a colleague. His Iranian-American associate, the arms dealer Mr Albert Hakim, made him the beneficiary of a $2m will and a $200,000 life insurance policy.

Equally damaging is Col North's role in the Contra fund-raising scheme which involved defrauding the Internal Revenue Service. Two of Col North's associates have already pleaded guilty to conspiracy in the tax fraud scheme. Finally, there is evidence of a cover-up in the eight days before November 25, when key documents were shredded by Col North and his White House secretary, Miss Fawn Hall. His actions in those last frantic hours before he was sacked by President Reagan could lead to charges of obstruction of justice.

Criminal charges, however, are the realm of the special prosecutor investigating the affair. The main focus this week will be on the marine who will tell a story which, in President Reagan's own words, would make 'a great movie'.

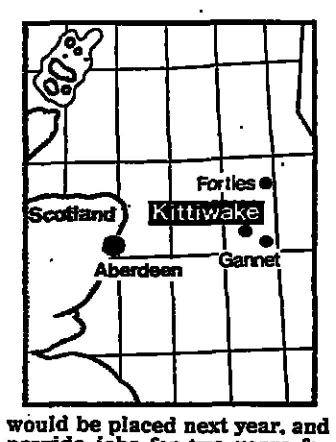
Plan for new North Sea field unveiled

BY LUCY KELLAWAY IN LONDON

A PLAN FOR the development of a major new field in the North Sea, which will create 2,500 jobs in the depressed UK offshore supplies industry, was announced yesterday by Shell and Esso.

The Kittiwake field, which will cost some £350m ($483m) to develop, is the first major oil project to be submitted to the British Government for approval since the price of oil fell from over $30 a barrel to a low of $9 last summer. The recent recovery in the price to about $18 is expected to trigger a number of new developments, of which Kittiwake is one of the largest.

The announcement will come as a relief to the offshore fabrication yards, which are seriously short of work. Shell said yesterday that a contract for the 7,000-tonne deck of the platform



would be placed next year, and provide jobs for two years for up to 900 people. The 6,000-tonne jacket order will be awarded later in the year, and will employ up to 600 people.

Shell also announced yesterday that it had placed a contract worth more than £15m with Brown and Root/Vickers for detailed design of the platform, which will provide a further 250 jobs.

The cost of developing the field is some 40 per cent lower than initial estimates of about £500m, and demonstrates how the industry has altered its plans in the face of lower oil prices. Reductions in development costs are now regarded by the industry as being as important as higher oil prices in enabling projects to go ahead.

Mr Peter Everett, managing director of Shell UK Exploration and Production, said yesterday: "Minimising technical costs has enabled us to proceed with this development and it will be the key to success in planning future fields at a time of continuing uncertainty."

Kittiwake contains 70m barrels of oil, and lies 100 miles east of Aberdeen in 278 metres of water. The first oil from the field will be produced in 1991, and output will rise to about 36,000 barrels a day. The oil will be transported from the field by tankers rather than by an oil pipeline and the gas from the field will be carried to the nearby Fulmar field.

Kittiwake was originally planned as part of a £2.5bn project of five fields which was shelved last year when the oil price fell.

Shell and Esso have reacted less violently to the fall in the oil price than many of the other large oil companies operating in the North Sea.

Garcia in fresh bid to revive economy

Barbara Durr in Lima

PRESIDENT ALAN Garcia abandoned devaluation of the Peruvian currency and announced large wage rises on Sunday night in an effort to revitalise the country's faltering economic recovery programme.

President Garcia said in a televised address that his economic strategy was still valid and that its problems had been only those of execution. He would pursue the same programme of consumer-based economic revival that produced 8.9 per cent growth last year. The President said his latest economic measures would guarantee growth of 7 per cent this year.

His administration's first mistake had been its failure to stick to the limit of 10 per cent of exports revenue being devoted to payment of the country's $14bn foreign debt. Peru had paid 17 to 18 per cent, including cash and products, but the 10 per cent limit would be strictly enforced in future.

In keeping with his model of raising demand through higher wages and price controls, President Garcia said the country's minimum wage would increase by 35 per cent to 1,700 intis from 1,260 intis a month. This is a 370 per cent rise over the two years of his administration. The salaries of civil servants, including the police and the armed forces, will rise 25 per cent.

Peru's system of price controls will be tightened up, although Mr Garcia left the improvements in the scheme somewhat vague.

He refreze the dollar exchange rate at 16 intis for certain categories of imports and abandoned the planned devaluation of the inti at 2.2 per cent a month through this year. The President said the exchange rate freeze was meant to hold down prices on capital goods and essential imports.

The dollar rate for exporters, for non-essential imports and for imports of goods competing with domestically-produced products, would be set by the central bank.

A range of tax incentives was offered to promote investment, particularly for the manufacture of capital goods. The private investment which President Garcia had expected to generate growth in industrial output and to earn more export dollars had failed to materialise.

The reaction to the President's message has been largely critical. There is growing concern that Peru's over-reliance on deficit spending will trigger hyperinflation.

Mr Richard Webb, a former central bank president, said Mr Garcia "is not facing up to the problems." It was a mistake to ignore the fiscal deficit and the problem of an inefficient bureaucracy for implementing the system of price controls. President Garcia had also failed to address the problem of dealing with the dollar on the black market, Mr Webb added.

The left, President Garcia's strongest opposition, said the President was mistaken in continuing to rely solely on the private sector for investment.

Leaders of the country's largest trade union federation, which is Communist-led, were not content with the continuation of Mr Garcia's wage policies, given that inflation has been running at an annualised rate of more than 100 per cent so far this year.

In part to cover the widening fiscal deficit, the price of gasolene will rise 25 per cent.

Texas family bids for 7-Eleven chain

BY JAMES BUCHAN IN NEW YORK

THE TEXAS family which built up 7-Eleven, America's largest chain of convenience group stores, is to take the company private in an audacious $5bn buy-out.

Stock in Southland, the Dallas-based group that operates more than 8,000 stores in the US and Canada, rose $7 1/8 to $75 5/8 in early trading yesterday in response to a $77-a-share tender offer announced by the Thompson family over the weekend. The offer, which caps five weeks of intense buying activity in Southland stock, was seen on Wall Street yesterday as a bold attempt by the founding family to pre-empt a hostile takeover of the chain, which launched a retailing fashion by selling gasoline and groceries from the same store.

'I'm sure somebody was breathing down their necks", said Mr William Hyler, a stock analyst at Oppenheimer.

The $77 offer is being made by a company owned by the three sons of Mr Joe Thompson, who founded Southland as an ice business 60 years ago. The brothers are Mr John Thompson, chairman; Mr Jere Thompson, chief executive; and Mr Jodie Thompson, who recently left the company to start a liquor business.

The offer, which has been approved by outside directors, values the company at about $4bn, but the brothers will also shoulder long-term debt and capitalised leases for a total outlay of about $5bn. The brothers said that they had lined up $2.73bn in commitments from a consortium led by Citicorp Industrial Credit and a further $600m in bridge financing from Goldman Sachs and Salomon Brothers

Wall Street analysts said yesterday that the Thompson offer is generous for a company in a highly competitive market and is unlikely to be matched. Southland, which enjoyed revenues of $8.6bn last year, reported earnings of $200.4m, down from the year before because of drastic swings in profitability at Citgo, the refining and marketing operation Southland bought from Occidental Petroleum in 1983 in an attempt to secure control over its gasoline supply.

Last year, Southland sold half of Citgo to the Venezuelan state oil company. 'I think they're taking a big gamble,' said Mr Hyler of Oppenheimer. Although Joe Thompson's original idea of selling gas and milk together took nearly half a century to catch on, oil companies such as Ashland and Arco are now moving strongly into convenience retailing. The business 'is not exactly a cash cow,' Mr Hyler says.

Wall Street analysts say that Southland's annual cash flow of some $350m will be stretched to service the Thompsons' debt. The brothers are expected to reduce capital spending, moderate their aggressive pricing and dispose of property and other assets to reduce the large debt.

Canada proposes to stem 'boat people'

CANADA has proposed that Western countries be more selective in accepting Vietnamese refugees to stem the increasing flow of 'boat people' fleeing their homeland, a Canadian immigration official said yesterday, **Reuter reports from Bangkok.**

Boat people who leave Vietnam for economic rather than political reasons would be sent home forcibly under the proposal, said Mr John Baker, counsellor for Canadian Affairs at the Canadian Embassy in Bangkok.

He said Canada, a major taker of Indochinese refugees since 1975, raised the idea last month with Western and Asian officials at an Association of South-East Asian Nations (Asean) foreign ministers' conference in Singapore.

Mr Baker said interviews with refugees showed fewer than 20 per cent fled Vietnam because of political, social or ethnic persecution. Most were economically motivated, he said.

He said Australia and some European countries supported the proposal but the US, which has accepted the largest number of Indochinese refugees for resettlement since the communist victory in Vietnam in 1975, was cool about it.

Thailand and Malaysia, which this year have had an increase in boat people arrivals, have threatened to refuse temporary asylum to them on the grounds that the West is not resettling enough.

Mr Baker said Vietnam, which accuses the West of encouraging the exodus by promising unrestricted resettlement and stationing ships off its coast to pick up refugees, has not said if it would take back boat people denied asylum.

Mr Baker said Thai screening of refugees from Laos seeking resettlement for economic reasons had helped decrease the number of Laotians seeking asylum in Thailand.

Since screening began in 1980, more than 2,200 have voluntarily returned to Laos, according to the office of the United Nations High Commissioner for Refugees (UNHCR).

Seoul frees 177

Continued from Page 1

approved by President Chun Doo Hwan two days later.

Mr Roh may be experiencing some difficulty in winning the support of government hardliners for his radical pro-democracy proposals. A major reshuffle in the party has been put off until next week and some observers expect a cabinet reshuffle to accompany it. The changes should provide some indication as to whether or not Mr Roh's efforts will proceed smoothly.

Several thousand students yesterday demonstrated in memory of the student who was hit by a tear gas canister at the beginning of last month's protests. The students were eventually dispersed by riot police. It is reported that the Police Department has fired $7m worth of tear gas since the disturbances began on June 10.

The Seoul stock market continued to show optimism about the prospects for democracy and stability. Yesterday the composite index closed up 4.99 points at 427.9, bringing the rise since Mr Roh announced his proposals to 39.73. The Korea Traders Association also reported that foreign buyers' misgivings over the country's stability had died away since Mr Roh's announcement, and visits that had been cancelled during the June demonstrations were being reconfirmed.

UK revenue overrun

Continued from Page 1

overall target will have to be raised.

Spending ministers are expected to argue that the healthy financial position makes it possible - as last year - to have both increases in public spending and tax cuts. Against that, however, the Treasury would like to keep open the option of another reduction in the PSBR

The exact size of the overshoot in those proceeds will depend on what proportion the Government takes this year of the £6.5bn expected from the sale of its BP shares. It will also be affected by whether British Telecom repays around £500m of loan stock it owes the Treasury.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	28	82	Malta	S	30	86	Rhodes	S	27	81
Algiers	F	27	81	Edinburgh	F	20	68	Manchester	S	25	77	Rio de J'o	C	29	84
Amsterdam	S	26	79	Faro	S	25	77	Manila	S	32	90	Rome	S	35	95
Athens	C	22	72	Florence	S	32	90	Melbourne	S	15	59	Salzburg	S	24	75
Bahrain	C	39	102	Frankfurt	S	26	79	Mexico City	-	-	-	San Francisco	S	20	68
Bangkok	R	32	90	Funchal	C	23	73	Miami	C	31	88	Seoul	S	28	82
Barcelona	S	28	82	Geneva	C	26	79	Milan	F	26	79	Singapore	C	32	90
Beirut	S	24	75	Gibraltar	S	28	82	Montreal	S	28	82	Stockholm	S	25	77
Belfast	F	20	68	Glasgow	F	19	66	Moscow	S	16	61	Strasbourg	S	27	81
Belgrade	F	23	73	Guernsey	S	23	73	Munich	S	22	72	Sydney	S	15	59
Berlin	S	24	75	Helsinki	S	20	68	Nairobi	C	19	66	Taipei	C	35	95
Biarritz	F	23	73	H. Kong	S	32	89	Naples	S	31	88	Tangier	F	24	75
Bombay	C	29	84	Innsbruck	S	26	79	Nassau	C	33	91	Tel Aviv	S	28	82
Bordeaux	F	27	81	Inverness	F	18	64	New Delhi	S	41	105	Tenerife	S	25	77
Brussels	S	26	79	Islamabad	S	41	107	New York	C	30	86	Tokyo	C	26	79
Budapest	F	25	77	Istanbul	R	24	75	Nice	S	28	82	Toronto	S	26	79
B. Aires	S	21	69	Jakarta	C	33	91	Nicosia	S	22	71	Tunis	S	33	91
Cairo	S	32	90	Jersey	F	23	73	Oporto	S	21	70	Valencia	F	30	86
Cape Town	S	17	63	Jo'burg	S	18	64	Oslo	S	24	75	Venice	F	26	79
Caracas	R	26	79	Lima	C	20	70	Paris	S	29	84	Vienna	S	25	77
Casablanca	F	24	75	Lisbon	S	26	79	Peking	S	29	84	Warsaw	C	21	70
Chicago	C	25	77	London	C	29	84	Prague	F	23	73	Washington	F	24	75
Cologne	S	26	79	Los Angeles	C	27	81	Reykjavik	C	11	52	Zurich	S	25	77C
Copenhagen	S	21	70	Luxembourg	S	25	77								
Corfu	S	31	88	Madrid	F	29	84								
Dallas	-	-	-	Majorca	S	30	86								
Dublin	C	19	66	Malaga	S	29	84								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

The sun has got his hat on

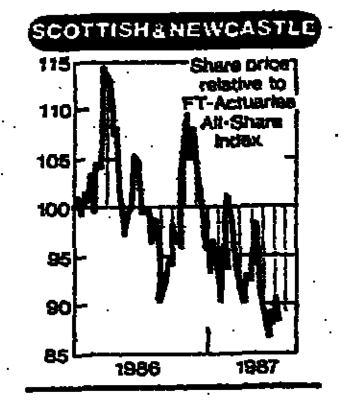
The fear of being out when the foreign buyers come calling is still so strong among UK fund managers that reports of Japanese nibbling yet again produced a new high for equities yesterday. There was in fact little evidence yesterday of much buying from the Far East, but who cares? Those who do like more solid reasons were claiming the strength of sterling after last week's Opec meeting and consequent hopes of a base rate cut as the causes, demonstrated by the gilt-edged market's rise. This seems somewhat fanciful. The pound is well short of the DM 3 danger level, and there are still precious few domestic arguments for lowering rates.

Scottish & Newcastle

The City of London has more confidence in election forecasts than weather forecasts. Whereas the market-makers had comprehensively discounted the Conservative election victory, they clearly needed to feel the sun on their backs before piling into the brewing sector, otherwise known as weather futures. The 3 per cent rise yesterday in the Scottish & Newcastle Breweries share price was thus no better than the fierce pace set in the rest of the sector, which seems a bit churlish, since S&N had the added bonus of announcing that pre-tax profits had risen by 20 per cent to £90m.

Perhaps the market was concerned with the dilution caused by the Home Brewery acquisition, which left earnings per share ahead by just 9 per cent. But Home Brewery's strategic importance in bringing S&N closer to the prosperous south of the country transcends short-term earnings arguments, and the deal should in any case be non-dilutive within a year.

The real surprise is the strength of the hotels business: the increase in profits, following a downturn of over £3m at the interim stage, suggests that second half on second half, the hotels doubled their contribution. That leaves the underlying profits growth in the brewing business looking no better than about 9 per cent, which is duller than the pace being set by a number of the bigger brewers. S&N knows it needs some new brands, and will doubtless bid again for Matthew Brown. That this will involve the issuance of some more paper is something of a check on the S&N share price, which, assuming the com-



pany makes about £109m this year, is on a multiple of no more than 12½.

Merchant banks

One way or another the equity market is having to find a fair bit of cash to put into the merchant banking sector - a group to which it has not, despite repeated takeover speculation, been the best place to direct money this year. Both Mercury International Group and Leopold Joseph's rights issues have been launched with at least one eye on the various new or proposed capital adequacy rules. The forthcoming issue to finance Gilbert House's acquisition of Singer and Friedlander will no doubt be followed by more new paper from that bank.

The next major merchant bank likely to need more capital is Kleinwort Benson, which has grown its balance sheet sharply, and as one of the most successful players in the swap market, has a stack of off-balance-sheet risks too. There is no great hurry given the time it will take the UK, US and any other banking regulators who join in to agree and impose the new minimum primary capital requirements. And Kleinwort will want to have a better set of figures than its last behind it before it appeals to shareholders. Interims are due next month and if Kleinwort's recent experience has been like MIG's they should not be bad.

But what is beginning to become clear post-Big Bang is that even in fair weather markets the divergence between different players in the securities market's has been wide. And as the sheep separate from the goats, it may be some comfort to shareholders receiving a cash call that extra capital is needed only by the banks doing the business.

House of Fraser/ Lonrho

The Stock Exchange's apparent lack of excitement over House of Fraser's latest assault on Lonrho's accounting practices will find plenty of supporting yawns around the City. But that view that "everyone" knows about the company's secretiveness and the uneven quality of its earnings - a fact reflected in a relatively lowly rating - is a little complacent. It also ignores the extent to which Lonrho has enjoyed something of a rehabilitation based upon the belief that its act has been substantially cleaned up.

It is true that Lonrho would scarcely contemplate something as controversial as the depreciation write-back for which it was so heavily criticised in the late 1970's. Also much of this House of Fraser criticism is of a technical kind which could apply to a great many quoted companies. Lonrho's recent disposals show the company at its opportunistic best in the casino deal and paying the price of "folie de grandeur" in the Today sale. While House of Fraser would no doubt argue that the sales support its contention of a flawed balance sheet, they also provide Lonrho with an opportunity for some critic-confounding best behaviour on asset sales.

Milford Docks

Connoisseurs of boardroom battles and shell opportunities will miss Milford Docks. A history of wrangles and would-be rescuers goes back almost to its founding in 1874. The company has lost 10 of the 11 directors who started 1986 on its board. Four others joined and left between annual reports. Five more, including those who have set course out of the shallows, have come aboard. Auditors' qualifications take up almost as much space as board changes in the annual report.

The all-paper Seacon offer is backed by 18p of assets for each Milford share. The last price before suspension in February was 71p. But as Milford is bringing a net liability, it is not in the position to quibble about its last lifeline. Unlike previous suitors, Seacon is not just after a listing. It may be able to translate the boom it has seen on the Isle of Dogs to less trendy docklands.

FINANCIAL TIMES
Tuesday July 7 1987

Andrew Baxter in London examines the drive by a US manufacturer for sales in Europe

Transatlantic foray by Pacific Scientific

PACIFIC Scientific, a small California-based manufacturer of instruments and aerospace products, has launched a drive to break into the highly competitive European aviation market following a recently completed restructuring and a string of acquisitions.

The Anaheim company, which began as a distribution company and whose first claim to fame was to have supplied the instruments on the aircraft used by Charles Lindbergh, is virtually a mini-conglomerate. It produces a seemingly bewildering variety of products from aircraft seatbelts and parts for cruise missile fuel pumps to instruments for colour-matching of paints and testing of food.

Despite this, however, sales were just $89m last year, but, as Mr Tony Stattersfield, recently appointed international marketing sales manager, explained in a recent interview: "We're into niche marketing."

Or, in plain English: "We don't want any competition if we can avoid it." For example, Pacific Scientific has 90 per cent of the world market for aircraft crew seatbelts.

The company has been active in Europe for the past 10 years, selling its measuring instruments to a wide range of industries, but on the aerospace side has "only gone for Europe in a big way since last November," according to Mr Stattersfield.

Now, with an expanded range of products following last year's $27m acquisition of HTL Industries – another mini-conglomerate – from Allegheny International, the company feels ready to win aerospace and defence business in Europe, which Mr Stattersfield described as "a big market that was untouched."

In contrast to the civil aviation scene, where many of the company's products are already installed on US aircraft purchased by European airlines, the company acknowledges that the military market is difficult to penetrate without good relationships with prime contractors on big projects.

To do this, Mr Stattersfield said Pacific needed to "get into bed" with larger companies, in joint ventures and licensing deals, in order to "get a piece of action, one way or another."

Mr Stattersfield said he was close to two deals of this kind in the UK. One advantage of such deals in the defence industry is that they help a company overcome resistance by governments to giving contracts to foreigners.

Mr Stattersfield, who joined Pacific Scientific last year after 15 years with Lucas Aerospace and six with Lear Siegler, expects to be able to double the company's sales in this field within 18 months to two years.

PACIFIC SCIENTIFIC

Five-year performance ($m)

	Sales	Net income
1986	88.9	2.8
1985	89.8	5.7
1984	92.2	7.0
1983	81.4	10.8
1982	76.3	9.2

He also has high hopes for expanding sales to the nuclear industry, which have fallen from a high of $30m a year to just $5m, reflecting the depressed state of the industry, notably in the US.

The company is looking at possible UK manufacturing of its snubbers – basically shock absorbers for pipework in nuclear plants, costing from $1,500 to $45,000 – and is hoping to pick up business selling mechanical types to replace hydraulic snubbers. These can leak radioactive oil if rubber seals degenerate.

Snubbers are included in the company's advanced technology group, which was created at the start of the year in a reorganisation prompted by the HTL acquisition. Pacific Scientific's other main division, instruments and components, is also the result of reorganisation and expansion last year, and both businesses have their European headquarters at Marlow, Bucks.

Next week the division will launch its Spectral Matching system for high-speed identification and qualification of raw materials using near-infrared technology. In the US it introduced last year an array spectrophotometer for analysing the colour and appearance of products. This is being used by dealers at Sherwin-Williams, the largest US paint producer, and is considered by the company to have strong potential for sales to paint retailers in the US and Europe.

Further acquisitions are a strong possibility, but meanwhile the company, headed by Mr Edgar Brower, a former Allied-Signal executive is hoping that its new streamlined structure will help it maintain management control over its wide range of products.

Last year's restructuring was a major factor in the halving of net profits to $2.8m from $5.7m, but with sales projected to jump to $150m this year due to acquisitions, Wall Street is hoping for a recovery as the post-acquisition benefits of cost-cutting and rationalisation come through.

House of Fraser attacks Lonrho accounts

BY MARTIN DICKSON IN LONDON

AN ATTACK on the accounting policies of Lonrho, the international conglomerate led by Mr Tiny Rowland, has been launched by House of Fraser, the UK stores group owned by the Egyptian Al-Fayed family, in a letter of complaint to the London Stock Exchange.

The move represents a further escalation of the bitter feud between Mr Rowland and the Al-Fayeds, which stretches back to the Egyptians' acquisition of House of Fraser in 1985 from under the nose of Lonrho.

The letter, despatched to the London Stock Exchange on June 24 but only made public yesterday, says House of Fraser has "serious concerns" about Lonrho's presentation of its 1986 accounts and adds: "We believe that there is a possibility that this may have tended to create a false market in their shares."

In particular, House of Fraser alleges that the accounts "give a misleading impression of the earnings and underlying trading performance of the group; do not make clear the fact that dividends may effectively (at least as it seems to us) be paid out of capital; and contain valuations of assets on bases which are not adequately explained or disclosed, are possibly inappropriate, and seem not to be fully realisable."

Lonrho's accounts were approved by its auditors, Peat Marwick McLintock, and accepted by shareholders at the company's annual meeting in March – despite a flurry ot critical questions from House of Fraser representatives.

House of Fraser said that its analysis has been prepared by another of the "Big Eight" accountancy groups, but the firm concerned did not want to be named publicly since "it does not wish to open itself needlessly to litigation."

Lonrho said the questions raised were trivial and had been dealt with at the time of the annual meeting. The Al-Fayeds were taking this action to "inconvenience Lonrho."

House of Fraser has asked the London Exchange to demand clarification of various accounting points from Lonrho.

However, observers pointed out that the exchange is primarily concerned with policing its own share listing regulations, rather than accountancy standards.

Dainippon may alter bid for Reichhold

DAINIPPON Ink & Chemicals of Japan said it told Reichhold Chemicals of the US late last month that it is prepared to reconsider all aspects of its $52.50 a share cash offer for Reichhold, valuing the US group at $390m.

In a filing with the US Securities & Exchange Commission, Dainippon said it told Reichhold of its willingness to review the offer in a letter dated June 29.

The letter also asked that Dainippon be given access to the same information which may be supplied by the target company to other potential bidders and that it be allowed "a reasonable opportunity" to respond to any competing offers.

On July 1 Reichhold's board rejected the offer as inadequate and said it would explore inquiries from other parties who may be interested in buying Reichhold. However Dainippon said its letter did not reach the board before its meeting.

Comsat deal

COMMUNICATIONS Satellite said it entered into an agreement with Contel, formerly Continental Telecom, under which Comsat will sell two of its businesses – Comsat International Communications and Comsat's very small aperture terminal business, to a Contel subsidiary.

The aggregate purchase price for the business will be $38m. As part of the agreement, Comsat and Contel have agreed, as expected, to terminate their planned merger.

Post sells unit

WASHINGTON POST, the US media group, has agreed in principle to sell its Florida cellular telephone properties to a unit of Affiliated Publications for indisclosed terms, generating an after-tax gain of about $110m.

The company said the sale is subject to regulatory approvals.

Gold Fields boosted by rand and ore grades

BY JIM JONES IN JOHANNESBURG

HIGHER rand-denominated gold prices and at least sustained gold recovery grades allowed the larger mines managed by Gold Fields of South Africa (GFSA) to overcome the effects of sharply higher unit costs in the quarter to June.

GFSA's seven gold mines logged a 6.5 per cent quarter-on-quarter revenue increase and Mr Colin Fenton, the head of GFSA's gold division, does not rule out a greater percentage increase in the current quarter to end-September.

Mr Fenton attributed part of the June quarter's cost increase to the partial effect of wage increases for white miners and officials implemented during the quarter. He said that black miners' wage increases averaging about 20 per cent and implemented white wage increases will also be felt.

The group milled an unchanged 3.74m tonnes of ore and increased the average gold recovery grade to 8.4 grams per tonne (g/t) from 8.3 g/t. Total gold production increased to 31,453 kg from 30,865 kg, the average gold price received rose to R28,664 per kg from R27,371 and the total revenue from gold sales was R903m ($440m) against the March quarter's R846m.

Total working costs increased to R381.8m from R358.6m and capital expenditure rose to R181.8m from R106.7m as spending accelerated before the June year-end.

GOLD MINE QUARTERLY RESULTS

	Gold produced (kg) Jun 87	Gold produced (kg) Mar 87	After-tax profit (Rm) Jun 87	After-tax profit (Rm) Mar 87	Earnings per share (cents) Jun 87	Earnings per share (cents) Mar 87
Deelkraal	1,988	1,950	26.38	22.93	14.4	13.5
Doornftn.	2,123	2,086	18.83	16.83	65.4	47.1
DrieCons	15,798	15,255	157.92	113.26	87.2	85.5
Kloof	7,560	7,560	97.22	89.2	29.7	31.4
Libanon	2,132	2,161	17.38	16.11	61.7	135.6
Venters	1,560	1,599	8.81	5.27	63.8	82.5
Vlakftn.	266	254	1.03	0.74	(112.0)	(13.3)

Earnings per share are calculated after capital expenditure. Vlakfontein's capital expenditure exceeded after-tax profits in the March and June quarters.

Driefontein Consolidated, the largest of the group's mines, was the principal contributor to the gold production increase. Both of its sections processed richer ore as technical problems which affected mining last year were overcome. Mr Fenton believes a further grade increase is likely at the East Driefontein section as mining shifts into richer ore zones in the northern section of the mine property.

Vlakfontein, which is the smallest of the group's gold producers and which has hitherto only processed surface dump material, is starting to mill ore from its new underground section. The mine expects to process 10,000 tonnes per month of underground ore by September and increase the monthly rate to 20,000 tonnes by January. The overall 70,000 tonnes month processing rate will, however, not be increased as less surface material will be treated.

Libanon's working costs rose 13 per cent on a quarter-by-quarter basis largely because of stock write-offs following the discovery of irregularities in the management of the mine's stores.

Canary Wharf groups meet for talks

BY PAUL CHEESERIGHT IN LONDON

CORRESPONDENT members of the Canary Wharf Development Consortium met yesterday in an effort to resolve the financial differences that are holding up the signing of contracts for the biggest commercial property development in Europe.

Substantive negotiations between the consortium and the London Docklands Development Corporation have been completed, but the American and European banks involved in the consortium have not been able so far to sign the master building agreement.

This agreement would set out the conditions for the £1.8bn first phase development at Canary Wharf on the Isle of Dogs, east of the City, in London Docklands. This first phase includes the provision of 5m sq ft of office space, in addition to shops, public areas and covered car parking.

The LDDC, the planning authority for the district, said it is "reasonably confident it (the agreement) will be signed in the relatively near future." It denied that there was any specific deadline, but in a clear reference to problems in the consortium, it added, "There will come a time when the agreement will either be signed or it won't be."

Divisions have emerged among the original consortium members, Credit Suisse First Boston, Morgan Stanley International, First Boston International and The Travelstead Group, a US property development group.

INTL. COMPANIES and FINANCE

Andrew Buckoke on the growth aspirations of Kenya's stock market

Nairobi SE in search of listings

IF YOU walk through the coffee lounge at the New Stanley Hotel in Nairobi, the Kenyan capital, one morning, you might notice six gentlemen sitting round a table. They are not in fact ordinary businessmen, but the representatives of the six trading firms that constitute the Nairobi Stock Exchange.

Though the NSE does not yet have its own trading floor, Mr Ngenye Kariuki, its chairman, has an almost Thatcherite zeal to extend private ownership of companies operating in Kenya. The government has indicated its intention to sell off some of the state corporations—so far without effect—but the ultimate objective is less privatisation than indigenisation of companies controlled by foreigners and local Asians and Europeans.

The success of a local share issue last year by Barclays Bank of Kenya is clear evidence of the support for this among the growing middle class in Kenya's capitalist economy. Some 40,000 of them now own 30 per cent of the company. The offer, valuing the bank at US$12m, was six times oversubscribed, and the successful applicants have seen their investment more than double.

The government has also indicated its support by waiving capital gains tax on shares and more recently proposing the establishment of a Capital Markets development Authority. But Barclays was the first foreign company to make a public share issue in 10 years, in which time only one local company, Jubilee Insurance, came to the market.

In fact, the number of companies quoted—43 when the exchange opened in 1952—peaked at 67 in 1971 and has since declined to 54. The decline stemmed from a loss of confidence in the economy by many white Kenyans for whom the market was established, as well as the nationalisation in the 1970s of Ugandan and Tanzanian subsidiaries of companies quoted in Kenya, and the introduction of a 35 per cent capital gains tax in 1975.

Shortage of sellers

Mr Kariuki says that "investment consciousness has since increased tremendously, but whether investment needs will be met is another question." Though there is now no shortage of buying interest in stocks such as BAT and Brooke Bond Kenya, Bamburi Portland Cement and Kenya Power and Lighting Company—the only utility with a quote — the shortage of sellers means less than half the companies quoted are traded in an average week.

Turnover last year was KSh 100m ($6.18m), while current market capitalisation is about KSh 5bn. The trading firms' role is to try to find sellers to match buyers on a commission basis. They do not take positions themselves.

The steady rise in the index from a high of 388 in 1984 to just under 600 at present—the base was 100 in 1966—is as much due to the shortage of stock as the good performance of the economy. Mr Kariuki believes that demand will continue to grow, however, if new listings are introduced. Several overseas companies are considering local share issues next year, including Standard Chartered Kenya. None are expected this year.

Despite the politicians' declarations of support for the indigenisation of the economy, one of the major obstacles to the growth of the NSE and the extension of ownership to the public has been the way many overseas companies have reacted to government pressures to sell at least part of their equity.

Following a regulation that insurance companies must be at least one - third locally owned, American Life Insurance Company (Alico) is privately placing the stock with the local Transnational Bank, owned by senior politicians. No quote is expected. Sevenal other American companies, such as Firestone and Mobil, have followed this route to partial or complete divestment in the past.

Alico was the first to be forced to sell by regulation, though less official forms of coercion have been used in the past. The official position is that divestment is normally voluntary, though encouraged. The government has to balance the strong internal pressure for indigenisation — and the aspirations of some of its members—with the threat to continued foreign investment posed by mandatory local share holdings.

It is still not clear where that balance will be struck. Last year President Daniel Arap Moi set off alarm bells when he said 51 per cent of all foreign companies should be held by Kenyans. This was rapidly qualified, however, and President Moi recently said the government would be "very flexible" on the requirement. In the absence of unused fertile land, Kenya urgently requires foreign investment to provide jobs to its rapidly growing population.

Back door pressures

Although back door pressures can be just as damaging to foreign investors' confidence, a senior banker noted that selling to "influential personalities" offered certain advantages to foreign companies, such as the repatriation of the proceeds and guarantees of lucrative management contracts, that the Stock Exchange would find it hard to meet. He added, however, that in Africa "it has been proven that dealing with personalities is very risky" and that "it was only proper that these offers be made on a more general front."

Mr Kariuki and a lot of would-be investors hope for more concrete support from the politicians in the future. Envy of the rich elite poses a serious threat to Kenya's relative political stability. Yet Mr Kariuki remarks that "the stock exchange could be a great political tranquiliser."

South African tax change hits Otis dividend payouts

BY JIM JONES IN JOHANNESBURG

TAX AUTHORITIES have halted dividend distributions by Otis Elevator, the 51 per cent-owned South African subsidiary of United Technologies. The Receiver of Revenue decided to reverse earlier tax breaks which allowed Otis to offset future expenses against advance payments on long-term contracts.

The allowance was intended to help firms involved in large construction projects, but applied equally to companies such as Otis which received advance payment for equipment service contracts.

The revenue claimed R6.8m in back taxes from Otis, which more than eliminates the company's interim after-tax profit of R3.57m earned in the six months to May.

For several years Otis has remitted the maximum dividends possible to its American and local shareholders as a means of divesting from South Africa, and this has left it without any cash. The directors have not declared an interim dividend and warn that a final is unlikely to be paid as the company has to borrow to meet its additional tax liability.

The interim operating profit rose to R7.13m in the half-year from R5.94m in the corresponding period of 1986 and compares with R13.80m for the year to November 1986. Interim earnings were 21 cents a share before taking account of the additional tax assessment against last year's 18 cents interim earnings and 42.2 cents for the year as a whole. Last year the interim dividend was 17 cents and the year's total was 42 cents.

Taiwan investment trust launches international fund

BY BOB KING IN TAIPEI

TAIWAN'S International Investment Trust, which three years ago launched the first fund allowing foreigners to invest indirectly in the country's stock market, plans to launch a NT$3.1bn (US$100m) international securities fund for sale to Taiwanese investors.

The announcement comes as the government moves closer to announcing the formal lifting of controls on foreign exchange remittances. Those controls have been in place for nearly four decades but with more than NT$61bn in reserves and a continuing large trade surplus the authorities have decided to allow funds to move freely out of the country.

The new IIT fund, the International Bond Income Fund, will specialise in international bond issues in various currencies so as to "achieve price stability relative to the NT dollar," the company said.

Initially the fund will limit its purchases to the issues of governments, supranational institutions and corporations with high credit ratings.

"We believe that the timing is perfect for introducing this new fund," said Mr Stephen Champion, president. "As the Government continues its policy of liberalising foreign exchange controls we believe that there will be demands from local investors for income-oriented low risk offshore funds."

The fund requires a minimum NT$50,000 investment, and will be marketed to institutional and individual investors in Taiwan.

IIT will manage the new fund with Credit Suisse First Boston acting as adviser. The International Commercial Bank of China will serve as custodian, with Citibank NA as sub-custodian. All three companies are shareholders in IIT, which currently manages domestic and international funds worth more than US$250m.

CSR holds almost 70% of Pioneer Sugar Mills

CSR, the Australian sugar, resources and building products group, holds nearly 70 per cent of Pioneer Sugar Mills under its A$300m (US$215.7m) takeover offer which was to have expired yesterday, Reuter reports from Sydney.

Mr Gene Herbert, a CSR director, said this followed a late surge of acceptances but that Mr Ron Brierley's Industrial Equity (IEL) had not so far accepted for its stake of 13 to 14 per cent.

CSR said it held more than 67 per cent of Pioneer and would extend its offer by two weeks to July 20. As recently as Friday, it held only 49.1 per cent.

The company and analysts have said they believe IEL's on-market intervention at prices slightly over the CSR cash offer of A$2.50 a share is aimed at building its CSR stake by accepting the alternative bid of A$1.20 cash plus one CSR share for every two Pioneer Sugar shares held.

CSR held 31.74 per cent of Pioneer Sugar when it launched its first offer of A$2.20 in late March. Its raised bid in May was reluctantly recommended by the Pioneer board.

INTERNATIONAL COMPANIES and FINANCE

Fermenta share trading halted

By Kevin Done, Nordic Correspondent in Stockholm

FERMENTA, THE embattled Swedish antibiotics and chemicals group, yesterday halted trading in its shares on the unofficial market in Stockholm. The group said that further information would be provided today.

Fermenta, which was saved from the brink of financial collapse earlier this year in a rescue led by Industrivarden, its largest shareholder, and a consortium of Swedish banks, is in the final stages of a crucial share issue aimed at raising up to SKr 330m ($52.1m).

The subscription period expires on July 15, but the company has already warned shareholders that if the issue is insufficiently subscribed, "there is the risk that the shares will become worthless."

Fermenta was expelled from the Stockholm stock exchange in January, but its shares have continued to be traded on the unofficial market, where they have sunk to a new low in recent days of SKr 6 for B-unrestricted shares—compared with a peak of SKr 325 in January 1986 and SKr 5 for B-restricted shares. The new shares are being issued at SKr 4 per share.

Fermenta's future has been subject to continuing speculation in recent months, but potential bidders have hitherto been discouraged by the financial risks and uncertainties involved in taking over the company.

Fermenta appears to have been riddled by financial improprieties in recent years, and ran up a loss last year of SKr 613m, in spite of the fact that it had forecast a profit for 1986 of SKr 1.5bn as late as October last year.

Mr Refaat El-Sayed, Fermenta's discredited former majority shareholder and chief executive, who was ousted last December, repeated last week that he is still seeking financial support to buy back the company.

He is currently under criminal investigation for alleged serious fraud, bookkeeping crimes and breach of the Companies Act, and is facing personal bankruptcy with debts of more than SKr 1bn.

Fermenta said earlier this year that it is seeking to dispose of various assets including its US agrochemicals operations.

The company is expected to run up a further substantial loss this year but it has begun to take some restructuring measures, particularly at Pierrel, its heavy loss-making, majority-owned Italian subsidiary.

Pierrel, which suffered losses last year of close to SKr 200m, is cutting its workforce by one-third with the loss of 350 jobs. It has sold its dental products division to Astra, the Swedish pharmaceuticals group.

Krupp sees bleak outlook after steady 1986 profit

FRIED. KRUPP, the West German steel and engineering group, has reported virtually unchanged consolidated net profits of DM 126m ($68.8m) compared with DM 124m in 1985, Reuter reports from Essen.

Although Krupp's 1986 world group net profits held steady last year, earnings in the current year are expected to deteriorate because of poor prospects for the steel sector, Mr Wilhelm Scheider, the chairman, told the annual press conference.

Mr Scheider said earnings from normal business activities, roughly equivalent to operating results, fell sharply to DM258m from DM320m. Net profit at the Krupp parent company fell to DM40m in 1986 from DM60m.

Krupp paid its shareholders an unchanged total DM40m in dividends. The parent company is 74.99 per cent held by the Alfried Krupp von Bohlen und Halbach Foundation and 25.01 per cent by the Iranian Government.

Mr Scheider said orders and turnover had continued to decline in the first five months of this year, affected by the lower dollar and oil prices as well as by the generally weak economy. Orders fell to DM5.8bn from DM7bn in this period, and turnover dropped to DM5.2bn from DM6bn.

Some of the company's export problems arose from currency fluctuations, the chairman said, while the sharp declines in US business indicated the need to start local production.

Although Krupp's US turnover in 1986 had risen to DM680m from DM480m, orders fell to DM540m from DM620m. Mr Scheider said Krupp would consider possible US acquisitions, especially in the plastics business but also in other sectors. Lack of foreign currency in Eastern Bloc countries had also hit business in these areas, he added.

Engineering and plant construction accounted for 48 per cent of turnover in 1986 compared with 45 per cent a year earlier, while the share of trading and services fell to 30 from 34 per cent and the steel sales share rose to 22 from 21 per cent.

Expenditure on research and development rose to DM300m last year from just under DM240m in 1985. Mr Scheider said Krupp intended to maintain heavy spending on research and development.

W German shipping group aided by tourism

HAPAG-LLOYD, the West German shipping and travel group, expects to stay in profit in 1987 in spite of worsening conditions for its freight shipping business, Reuter reports from Hamburg.

Mr Hans Jakob Kruse, the chairman, told the annual meeting that the group's scheduled shipping service, which accounts for 65 per cent of turnover, was not likely to recover in the short term. However, its growing tourism division would contribute considerably to profits.

Mr Christoph von de Decken, chairman of Hapag-Lloyd's supervisory board, said he hoped the company would profit from greater co-ordination with its new shareholders.

Dresdner Bank and Deutsche Bank have steadily reduced their joint 80 per cent stake in Hapag-Lloyd to 12.5 per cent each.

The companies which bought the banks' portion are Touristik Union International (TUI), West Germany's largest travel agency, Lufthansa, the national airline, and Kaufhof, the retail group — each of which took 10 per cent—Verba, the energy group, and Gevaert, the Belgian industrial group, which took 12.5 per cent apiece.

Mr Kruse was cautiously optimistic about the company's performance in the first half of 1987 but gave no figures. The scheduled service sector was not quite in the black but was not alarmingly in the red either, he said.

Hapag-Lloyd expected its tourism division to develop well in the light of present results. Its travel agencies were likely to benefit from increased demand, and its cruise business was satisfactory so far this year. Its airline sector profited from rising holiday bookings.

Group net profit dwindled to DM 53m ($28m) in 1986 from DM 95m in 1985, as reported already.

Air Afrique verges on collapse

BY PETER BLACKBURN IN ABIDJAN

AIR AFRIQUE, the Abidjan-based airline, is on the verge of collapse in spite of returning to an operating profit last year of $5.6m against a $6.7m loss in 1985.

However, it recorded an overall net loss of $3.4m and its acute cash-flow deficit is projected to double to $47m by the end of 1987.

Mr Auxence Ickonga, managing director, warned: "Air Afrique can die today due to a stoppage of payments, not because it lacks money but because it is in the hands of its debtors."

Mr Ickonga, a former Congolese Foreign Minister and head of the state oil company, said the two main causes of the financial crisis were non-payments by member states and devaluation of local currencies.

In spite of great efforts to make the ten francophone member countries pay cash for airline tickets used by government officials, Air Afrique is still owed $40m.

Only the Congo, Ivory Coast and Burkina Faso have paid up to date. Member governments are also behind in contributing to a $26.4m capital increase agreed in 1985. Air Afrique lost more than $30m from heavy devaluations of the Nigerian naira and the Guinean syli (now called the Guinean franc). As a result the company is limiting its commitments in Nigeria.

Air Afrique has managed to survive by running up a bank overdraft of $18.5m but Mr Ickonga warned that this could not continue much longer.

Heads of state from member countries noted the company's "critical situation" at a summit meeting in Niamey in March and asked Ivory Coast President Houphouet Boigny to lead a rescue mission to find technical and financial partners.

President Boigny was expected to report back by the end of June but there is still no news of his mission.

Some member states, notably Burkina Faso, have political reservations about bringing in non-African airlines to improve the management of Air Afrique. Among those which have been contacted are France's UTA and Sabena of Belgium. UTA operates its flights to the region in association with Air Afrique while its subsidiary Sodetraf has a 28 per cent stake in the African airlines.

Among potential sources of new finance is the Abidjan-based African Development Bank.

Some critics say the continued financial deterioration of Air Afrique is due to "timid" implementation of recovery measures, including staff and salary cuts, agreed three years ago. Some staff criticise management weakness in the face of political pressures.

Amev to bid publicly for rest of Bilbao Group

AMEV, THE second largest Dutch insurance company is to bid publicly for the remaining shares of Bilbao Group, the Spanish insurer, Reuter reports from Amsterdam.

Amev started acquiring a stake in Bilbao from 1982, and controlled 56 per cent of the group by the end of 1986. He said it had agreed the bid with the main shareholders which control 18 per cent of Bilbao.

Mr Piet Roosenberg, an Amev director, said the bid would be worth about Fl 25m ($12.1m), although he declined to give a price per share. He said Bilbao's share price was currently 520 per cent of the nominal value and that Amev's bid was below that price.

Bilbao Group's 1987 turnover is estimated at Pta 15.5bn ($121.8m). The group specialises in life and damage insurance.

Mr Roosenberg said there was plenty of slack in the Spanish insurance market and the exchange rate of the peseta made the take-over attractive to a foreign buyer. He said his company would seek expansion in Spain.

Dutch insurers have expanded their presence in Spain in recent years and have reported good results there for 1986, partly offsetting negative dollar influences on overall profits.

Last week Aegon, the third-largest Dutch insurer, acquired 90 per cent of Union Previsoria.

BHF reports higher parent bank earnings

BERLINER HANDELS — und Frankfurter Bank has reported higher operating profits for the parent bank, including trading on the bank's own account, in the first five months of this year, but gave no details, Reuter reports from Frankfurt.

The rise was due to another increase in own-account trading earnings from currencies and securities, as partial operating profits fell to DM 60m ($32.7m) in the first five months, 18.9 per cent below the equivalent for 1986.

The bank said it expects another satisfactory result for the year on the basis of earnings so far, in spite of harder conditions.

Among the components of partial operating profit, the interest surplus rose 1.8 per cent to DM 113m because of a rise in interest-related business, in spite of increased pressure on interest margins.

As expected, the commission surplus fell 12.4 per cent to DM 64m, reflecting a general slow-down in bourse activity.

Operating costs rose 6.4 per cent to DM 117m, with preparations for the opening of the London branch pushing up both personnel and fixed asset costs.

BHF noted that it had rejected nearly as many co-lead positions in management syndicates as it accepted. This was because competition in new-issue business, especially in the foreign currency sector, had intensified so much that many bonds were being issued under unfavourable terms.

Printemps to increase capital

By Our Financial Staff

PRINTEMPS, the French retail group, is to increase its capital to FFr 635m ($104m) from FFr 529m and will issue a FFr 508m stock option bond on July 30, the group announced in the Official Bulletin.

Between July 15 and August 5, shareholders will be able to subscribe to the capital increase on the basis of one new share for five, at FFr 460 each.

Between July 7-20, shareholders will be able to take up the bond offer on the basis of one 6 per cent seven-year bond with four warrants attached, priced at par, for 25 Printemps shares held.

Each warrant will give the right to one Printemps share, between January 1988 and July 1992, at FFr 670 each.

Pargesa Group merges French subsidiaries

By Our Financial Staff

PARGESA Bruxelles Lambert has announced the merger of two of its French subsidiaries. Parfinance and Societe Holding Economique et Financiere (SHEF) are to be merged on the basis of three Parfinance shares for five SHEF shares.

SHEF was quoted on the Paris bourse at FFr 148 last Friday. In May SHEF increased its capital to FFr 971.9m ($159m) from FFr 64.8m by issuing 9.5m shares.

Privatbanken to acquire American Express unit

PRIVATBANKEN, Denmark's third-largest commercial bank, is acquiring American Express Bank AS, a Copenhagen-based subsidiary of American Express International, AP-DJ reports from Stockholm.

The Danish bank said the purchase price was "quite a small amount," mainly a sum representing goodwill, but declined to specify an exact figure. The subsidiary opened in Denmark 16 years ago.

American Express Bank, which had DKr 2m ($290,000) in 1986 operating income and DKr 225m ($32.3m) in assets, has activities concentrated in the area of trade financing. Its 30 employees will be taken on by Privatbanken.

Executives at American Express Bank refused to comment on why the subsidiary was sold, but Privatbanken said its earnings were weak and suffering from a small customer base. Privatbanken hopes to be able to supply a larger base for the subsidiary's and to expand its international operations.

American Express International is retaining its travel-services operation in Denmark.

Rising dollar fails to lift sector out of doldrums

BY CLARE PEARSON

THE FIRMER dollar, which reached a three-month high against the yen at one point yesterday, is failing to revitalise the dollar Eurobond market, where investor interest remains at a low ebb.

Dealers said yesterday that Japanese investors were, if anything, sellers of Eurodollar fixed rate bonds, even though they had been buying in the US Treasury bond market, while European buyers remained apathetic towards the sector.

Yield differentials between US government bonds and Eurobond are still narrow because of thin supply in the Eurobond straight sector, where no new issues appeared last week.

Goldman Sachs International, however, ventured into the market yesterday with a $100m bond for Council of Europe. The issue was launched early in the day in Europe to catch Japanese investors before they went home.

Goldman said the bond had found fair demand both in the Far East and Europe, although dealers elsewhere said they found little buying interest. A bid price of less 1⅞, a discount equivalent to the total fees, was quoted.

The seven-year 8⅜ per cent issue was priced at 101⅞ to provide an initial yield net of the fees of 51 basis points over the comparable US Treasury bond.

Bonds carrying warrants to companies took a further hambuy the equity of Japanese mering yesterday in the wake of further falls in the Tokyo stock market. Bonds issued by companies orientated towards the Japanese domestic market, and those of financial companies, were particularly hard hit. Issues for blue chip companies, however, were mainly steady helped by the weaker yen.

Most dealers expect few new issues this week ,since a number have been postponed, or transferred to the Swiss franc foreign bond market, in the light of poor market conditions.

Yet Nikko Securities (Europe) was holding the prices of the two bonds that it launched last week, for Onoda Cement and C. Itoh, at levels just outside their fees yesterday. Nikko said these issues showed that it was still possible to launch an equity warrants bond, so long as the bond was for the right name and was handled with care by the lead manager.

Other dealers said that Nikko's stand in launching these bonds could make it harder for the other securities houses to persuade borrowers that they could not go ahead with scheduled issues.

INTERNATIONAL BONDS

Name recognition is of paramount importance in the Australian dollar market at the moment given the heavy supply of paper in the market and the start of the holiday season on the Continent.

Four new fixed rate bonds emerged yesterday. Two of them, for IBM Australia and Council of Europe, met good demand, but a third for the Bank of Nova Scotia was moving more slowly as the borrower is less popular among the Australian dollar bond investing community.

The Council of Europe's A$60m bond, led by Westpac Banking was unaffected by the borrowers' offering in the Eurodollar bond market. The 14 per cent five-year issue, priced at 101-⅞, was quoted within the fees at around less 1-⅞ bid.

IBM Australia's A$60m 13-⅞ per cent two-year bond, priced at 101-⅞, was issued through its financing arm. It was quoted within its commissions. The Bank of Nova Scotia's A$50m 14-⅞ per cent 2-½-year issue, priced at 101-½, traded slightly outside its 1-½ per cent commissions.

These two issues were led by Credit Suisse First Boston, which also brought an A$125m 10-year convertible issue for Coles Myer Finance International, the finance vehicle for Coles Myer, the Australian retailer. The par-priced bond carries an indicated coupon of 9¼ to 9½ per cent andl the conversion premium is in the range 20 to 23 per cent.

Late in the day Hambros Bank announced an A$50m seven-year 13½ per cent issue for Landesbank Rheinland-Pfalz, priced at 101½.

Chemical Bank International led a $75m 15-year convertible for Fuqua Industries, the US consumer products and services company. The deal has an indicated 6½ to 7 per cent coupon and the conversion premium 20 to 24 per cent. It is priced at par and will be callable.

In the D-Mark market, prices regained some of their early lossses to close about ¼ point down on the day

Commerzbank led DM300m issue for Portugal, in two equal tranches, both priced at par. The five-year tranche carries a 5½ per cent coupon, and the eight-year piece a 6¼ per cent coupon. Both tranches traded within fees.

In Switzerland, fixed rate bond prices were unchanged in low volume.

Credit Suisse fixed the terms on the SFr 150m 5¼-year convertible issue for Mitsubishi Oil. The par-priced issue carries ¼ per cent coupon.

Swiss Bank Corporation led a SFr100m five-year 4⅞ per cent issue for Union Electrica Fenosa, the Spanish utility, priced at par.

Privatbanken led a DKr500m five-year zero coupon issue for Denmark, priced at 61½.

State close to selling off Credit Lyonnais

By David Lascelles, Banking Editor

CREDIT LYONNAIS, the large state-owned French bank, will be privatised "within the coming months," according to Mr Jean-Maxime Levesque, the bank's president.

Mr Levesque, who was in London yesterday for a meeting with investment analysts as a prelude to the sell off, said he was confident that a decision would be made soon by Mr Edouard Balladur, the French Finance Minister.

Credit Lyonnais would be the second of France's Big Three banks to be sold by the government. Societe Generale was launched on the market last month, but no decision has yet been taken on Banque Nationale de Paris, the largest of the three.

Mr Levesque, a strong advocate of priavtisation ,said that up to 20 per cent of the equity of his bank would be offered to foreign investors.

The bank had been increasing its provisions against possible losses on its Third World to approaching 40 per cent of loans, he said. Mr Leveque indicated that the rate of provisioning would now ease, enabling the bank to show increased net profits.

Factors influencing the timing of Credit Lyonnais' flotation include the pressure on the privatisation calendar, which includes the Indosuez financial group and one of the large state-owned insurance companies in the coming months. As the schedule moves into next year, the French elections would limit the scope for further sell-offs,

Foreign trust banks clear to invest in NTT

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Posts and Telecommunications has decided to allow nine foreign-affiliated trust banks to invest funds under their management in shares of Nippon Telegraph & Telephone. The ministry will shortly give the banks formal approval to this effect.

The ministry's decision is in response to an appeal by the nine foreign banks to be treated on equal terms to the eight Japanese trust banks.

Under Japanese law, foreigners and foreign business corporations, as well as Japanese companies that are majority controlled by foreign interests, are debarred from owning NTT shares.

Initially the ministry interpreted the law as also banning foreign-affiliated trust banks from buying NTT shares. It has, however, adopted a different interpretation that investment of the trust banks' managed funds in NTT shares forms part of their trust business and does not constitute buying.

In preventing the foreign trust banks from buying NTT shares on their own account, the ministry attached the condition that they must commission Japanese or Japanese companies to manage their trust funds invested in NTT stock.

The nine foreign trust banks are: Morgan Trust Bank, Japan Bankers Trust, Chase Manhattan Trust, Cititrust, Chemical Trust, Manufacturers Hanover Trust, Swiss Union Trust, Credit Swiss Trust, and Barclays Trust.

OECD reports fall in first half borrowing

BORROWING ON the international capital markets fell sharply in the first half of the year, according to the Organisation for Economic Co-operation and Development—largely as a result of the collapse of the floating rate note market early in the year, Reuter reports from Paris.

In its latest monthly Financial Stat:stics Bulletin, the OECD said preliminary data set the volume of medium and long term funds raised on the market at a total of $147.6bn, down $15.3bn since the second six months of 1986.

The OECD said this was also down from the same period last year, when it totalled $154.6bn, and was the lowest figure since the first half of 1985.

Borrowing on external bond markets amounted to $101.6bn, down $8.8bn from the first half of 1986.

The volume of floating rate notes fell sharply over the six months. Only $5bn worth were issued, compared with $32.8bn between July and December 1986 and $17.9bn in the first half of 1986.

The OECD said issues of straight bonds were steady on 1986 levels at $76.7bn for the six months, and only equity-linked and convertible bonds increased in volume over the period. These totalled $17.2bn, compared to $11.6bn in the first half of 1986.

Issues in yen accounted for 18.6 per cent of new offerings, compared to 9.9 per cent in first half 1986.

Where British brokers rule world

Stephen Fidler looks at the low profile but good life of the inter-dealer broker.

IF CONVENTIONAL wisdom in international finance is correct, then the brokers standing in the middle of the world's securities markets are in a good business.

The ultimate in risk-averse participation in financial markets is the role of the so-called inter-dealer broker, which aims to match buyers and sellers of securities but never takes on the risk of holding them.

The business does not have a high public profile; such services are not available to the public but only to the professional traders who make the various markets. Yet in some markets, such as that in US government bonds, inter-deal brokers are critical to ensuring continuing and impressive market liquidity.

It is an area dominated worldwide by the British, by such publicly-traded companies as Mercantile House, Exco and ICH, and private firms such as Tullett and Tokyo.

For example Tullett, a name barely known outside the financial market place, employs some 1,500 brokers in a score of offices worldwide. Its main business is still broking in foreign exchange and currency deposits, but it was one of two companies which in February established what appeared to be the world's two first inter-dealer brokers in equities.

First Equity Services, a privately-held company especially set up to broke the UK stock market after Big Bang, was first on the draw, opening its doors for business on February 5. Four days later, Tullett launched its equities operation.

Since then business has grown, unevenly and unspectacularly. Tullett, at least, is thinking of performing a similar service in international equities and is aiming to make a decision by year-end.

"We're just beginning to appear at the bottom of the graph," said Mr David Hagen, managing director of Tullett Equities. He says the volume of business — his company has brokered a maximum so far of "several hundred trades" in one day — exceeded his expectations.

There are a number of obstacles, however. With the demise of the stock exchange floor, London is no longer a face-toface market, though the relationships built up by traders on the floor over the years are still important in telephone trading and it will be some time before they crumble.

Market makers also had three months to trade after Big Bang last October before the brokers came on to the scene, and this has also slowed their acceptance by the market.

After initial resistance, the two brokers have been able to place their screens in the offices of all the principal market makers in London. All the market makers have, at one time or another, used the brokers' services.

Both systems exclude anyone but a market maker in a stock from seeing prices quoted on that stock, and both quote the best bid or offer available and the size in which the market maker is willing to deal.

Market makers say that have found the brokers useful, particularly on occasions where anonymity is required. Eve after the trade is done, neither side knows the ultimate counter-party. Unlike the foreign exchange and deposit market, the equity brokers theoretically act as principals in the deals, although they never take on any position risk.

There are differences. First Equity's system, for example, "stacks" all bids and offers which are not explicitly withdrawn. When one disappears from the screen another price which has been stacked may take its place.

In the Tullett system, which has the advantage of colour making it easier on the eye, only the bids and offers displayed on the screen are good. Once a price has gone from the screen, it has gone for ever.

First Equity, whose principal backer is First Electra, an investment trust specialising in venture capital, developed its own software specifically for the equity market. It will suspend quotation on a specific company if news about it breaks, and has been known to suspend all bids on developments it thinks will affect the whole market.

However, First Equity seemed to have made a strategic mistake by pitching its fees too high in the early stages of the process; some weeks ago it lowered its fees to match those of Tullett.

Both brokers now charge 0.1 per cent to the aggressor—the dealer who "hits" the bid or "takes" the offer—and nothing to the market maker who makes the original offer or bid, subject to a maximum of 0.5 pence per share.

Tullett brings a more rigorous broking tradition which some market makers preferred. Tullett's 16 brokers, aged between 19 and 24, are not encouraged to venture their ideas about the market.

"We tell them not to waste their time discussing what the market is doing. We should stick to doing our job and the market maker will stick to his. We don't want these chaps giving their opinions about the market," said Mr Hagen.

The advantage the services give, he says, are "speed, firmness in price and anonymity."

Nevertheless, bids or offers can remain on the screen for a long time without deals being done.

The gap between bid and offer prices is often narrower or larger on the brokers screens than on the market makers' own SEAQ screens. But two-way prices are so far usually available only on a few shares at any one time, and some dealers say the price differences between what is available on the brokers' and the SEAQ screens are not great enough for it to be useful.

The general view among market makers is that brokers do add liquidity, but add it where the market is already most liquid.

Both companies offer a service on the FT-SE 100 most highly-capitalised firms—so-called "alpha" stocks. First Equity goes deeper into the second tier, quoting another 100 "beta" stocks.

Perfect conditions for the brokers have not existed since they were established. Rapidly rising markets, as London has been since February, or sharply falling ones do not make for good business for brokers.

"They would benefit most from stable markets with high volume," remarked Mr Stephen Dalby, head of market making at Phillips and Drew.

The brokers are unlikely for some time, if at all, to become as important to the UK share market as they are to the British government bond market, where it is thought that six inter-dealer brokers is too many. Yet it is widely agreed that while there may be room for perhaps two such operations in the market, three would be a crowd.

EIB launches $500m programme in US

BY STEPHEN FIDLER

THE EUROPEAN Investment Bank yesterday launched a $500m programme to issue medium-term notes in the US.

The programme is being arranged by Salomon Brothers, with First Boston and Merrill Lynch Capital Markets acting as co-agents.

The borrower is owned jointly by the 12 member states of the European Community and provides finance for projects in those countries. The programme has been given the top triple-A rating by both main rating agencies, Moody's and Standard Poor's. The notes will be offered continuously and maturities will range from nine months to 10 years.

The Central Bank of Turkey is seeking a $150m credit facility, through Bankers Trust International, under which it will be able to issue Euro-notes.

The facility extends for a year on existing financing and, like the existing facility, the notes will be guaranteed by Fuji Bank of Japan.

The notes will be backstopped by a committed facility paying interest at a margin of 25 basis points. There will be a facility fee of 50 basis points, regardless of whether there have been any drawings, while front-end fees range down from 35 basis points for a commitment of $10m.

Turkey did not have to resort to the back-stop under the existing facility, and clearly hopes that such financings will be a prelude to a full accommodation of its paper in the international market.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94	94½	−0⅛	+0⅝	9.06
A/S Eksportfinans 7⅝ 93	100	94⅛	94⅝	+0⅛	+1⅛	8.79
A/S Eksportfinans 7¼ 92	250	94⅞	95⅜	−0⅛	+0¼	8.57
Austria 7⅛ 97	200	92⅛	92⅞	+0⅛	+1⅛	8.91
BP Capital 9⅛ 94	100	†102	102½	−0⅛	+0⅛	8.65
British Telecom 7⅝ 96	250	91⅛	91⅝	+0⅛	+1	9.03
Campbell Soup 10½ 95	100	107¼	107¾	0	+0¼	9.14
Canada 9 96	1000	101¼	101¾	0	+0⅞	8.73
Canadian Pac. 10¼ 93	100	†105	105½	+0⅛	+0¼	9.55
CCCE 7⅞ 91	113	95⅝	96⅛	+0¼	+1⅛	8.29
CNCA 7¼ 91	150	94⅞	95⅜	+0⅛	+0½	8.59
Citicorp 8¼ 93	200	93½	94⅛	+0½	+1½	9.62
Credit Lyonnais 9 91	200	101⅝	102⅛	+0¼	+1	8.36
Credit National 7⅞ 92	100	95⅞	96⅜	+0⅝	+1⅞	8.38
Credit National 9⅛ 93	150	†102¼	102¾	0	+0⅝	8.53
Credit National 7¼ 91	150	95⅞	96⅛	+0¼	+0⅞	8.31
Denmark Kingdom 7⅛ 92	500	93½	94	+0¼	+0⅞	8.80
Denmark Kingdom 8¼ 91	300	98½	99	0	+0⅝	8.63
EEC 7 91	100	95⅛	95⅞	0	+1	8.20
EEC 8¼ 96	100	96⅛	96⅝	−0⅛	+0⅝	8.85
EEC 7¼ 93	250	93⅞	94⅜	+0⅛	+0⅞	8.59
EIB 7⅝ 93	100	94⅞	95⅜	+0½	+1⅛	8.63
Finland 7⅞ 97	200	92	92½	+0¼	+0⅞	9.11
Finland 7½ 93	200	94⅛	94⅝	+0⅛	+0⅛	8.70
Ford Motor Cred. 10½ 91	150	106⅛	106⅞	+0½	+1	8.58
Ford Motor Cred. 11⅞ 90	100	106⅜	106⅞	+0⅛	+0½	8.40
Gen. Elec. Cred. 10¼ 00	200	103¼	103¾	−0⅛	+0⅝	9.75
Hoesch 7⅞ 92	100	96⅛	97	−0⅛	+0½	8.25
Hoesch 7⅞ 94	300	95⅝	96⅛	+0½	+1⅜	8.78
Hoesch 8¼ 97	100	95⅞	96⅜	+0¼	+1⅛	8.85
Liberty Mutual 8½ 96	150	95½	96	+0⅛	+1⅜	9.21
LTCB of Japan 8 91	100	98⅛	98½	+0⅛	+0⅞	8.51
LTCB of Japan 8 97	200	92⅞	93⅜	+0⅛	+0⅞	9.09
Mercds.-Benz Cred. 7½ 93	100	96½	97⅛	+0¼	+0½	8.19
Mitsubishi Fin. 7⅞ 93	100	94½	95	+0⅛	+1½	8.96
Mutual America 7⅝ 92	100	95¾	96¼	+0¼	+1	8.71
Norway Kingdom 7¼ 91	500	96⅛	96⅝	+0⅛	+0⅝	8.31
Pepsico Inc. 7⅞ 93	200	93⅞	94⅜	+0¼	+0⅞	8.69
Qantas Airways 10⅝ 95	140	106⅛	106⅝	+0⅛	+1⅛	9.19
Queensland Govt. 10¼ 95	100	105⅛	105⅝	+0⅛	+0⅞	10.21
Ralston Purina 11¾ 95	150	108⅞	109½	+1⅞	+1	10.04
Saab Scania 9½ 91	125	102¾	103¼	+0¼	+0¼	8.47
Saskatchewan 10¼ 92	100	107⅜	107⅞	0	+0½	8.73
State Bk. S. Aust. 9¼ 93	100	†101⅛	101⅝	+0⅛	+0½	8.92
Statoil 10 90	170	104	104½	+0⅛	+0⅞	8.37
Swed. Exp. Cred. 7¼ 91	100	95¾	96⅛	0	+0⅛	8.34
Swed. Exp. Cred. 10 92	100	106⅜	106⅞	+0½	+1¼	8.29
Sweden 8¼ 96	200	99¼	99¾	+0⅛	+1¼	8.82
Sweden 7 92	250	95⅛	95⅝	+0¼	+1⅛	8.23
Sweden Kingdom 10⅞ 90	200	106⅝	107⅛	+0⅛	+0⅛	8.07
Sweden Kingdom 7 91	250	95⅜	95⅞	0	+0⅝	8.24
Taiyo Finance 7¼ 94	100	92⅞	93⅛	+0⅛	+0⅝	9.23
Toyota Motor Cred. 8 89	100	†100⅞	101⅜	+0½	+1½	7.36
Toyota Mtr. Cred. 7⅛ 92	150	94⅜	94¾	+0⅜	+1⅜	8.61
Victorian Rep. 11⅝ 92	150	110⅜	110⅞	+0⅜	+0⅞	8.81
World Bank 7 92	300	95⅛	95⅞	+0¼	+1¼	8.17
Yasuda Trust Fin. 8½ 93	100	†98⅞	99½	+0¼	+1⅜	8.69

Average price change on day +0¼ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	107⅜	108⅜	−0⅛	−0⅞	6.56
Austrian Elec. Co. 6½ 95	150	100¾	101½	0	−0¼	6.31
BMW 5¾ 96	200	92⅛	92⅞	+0⅛	−0¼	6.38
Daimler Benz Int. 5¼ 01	500	90¾	91¼	0	−0½	6.80
Dow Chemical 5⅞ 96	300	94⅝	95⅜	+0⅛	+0½	6.38
Dow Chemical 6¾ 95	300	101⅜	102⅛	+0¼	−0¼	6.46
EIB 5½ 98	150	91	91¾	−0⅛	−0⅞	6.64
EIB 6¼ 96	300	97½	98¼	−0⅛	−0¼	6.44
EIB 6⅞ 95	300	102	102¾	−0½	−0⅛	6.49
EIB 6 97	300	96¼	97¼	−0⅛	−0½	6.42
Euro. Coal & Steel 5⅞ 97	175	95⅛	95⅞	−0⅛	0	6.51
Eurofima 6¼ 96	100	99⅜	100⅛	+0¼	0	6.29
Ex.-Im. Bk. Korea 7⅝ 90	100	104⅜	105⅛	0	0	5.76
Finland Republic 7 92	200	104⅝	105⅛	−0½	+0⅛	5.70
Hoesch Intl. Fin. 7 95	100	102½	103¼	+0⅛	−0¼	6.54
Hydro Quebec 5½ 96	125	94⅞	95⅝	+0¼	−0½	6.21
Hydro Quebec 6 16	150	82⅝	83⅛	0	+0¼	7.45
IADB 6 97	200	95⅛	95½	−0⅛	−0½	6.65
IBJ 5⅝ 96	200	93¾	94½	+0¼	−0⅛	6.52
Japan Finance 5¾ 97	100	94¼	95	+0¼	−0¼	6.51
Julius Baer Bank 2 94	150	†104¼	106¼	+0⅛	+0⅛	1.38
Korea Dev. Bank 6¼ 93	100	100⅞	101⅝	0	−0¼	6.36
Mitsubishi M. 3⅛ 89 WW	100	127½	128½	−3¼	−4	−6.91
Mitsubishi M. 3⅛ 89 XW	100	96	96¾	0	+0⅛	4.71
Renfe 7¼ 95	100	†106	107	−0¼	−0⅝	6.66
Soc. Cent. Nuclear 7¼ 95	150	102¾	103½	−0⅛	−0¼	6.73
Soc. Cent. Nuclear 8 91	100	106⅛	107	0	+0¼	6.11
Sorweag 5½ 96	100	94⅞	95⅛	0	−0⅛	6.21
Tokyo Elec. Power 6 97	300	†95¼	95¾	0	−1	6.64
World Bank 5⅞ 97	700	95⅛	95¾	−0⅛	−0⅛	6.51
Yorkshire Intl. 6¼ 01	200	†91½	92	−0¼	−0¼	7.21

Average price change on day −0⅛ on week −0⅜

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	†102½	103	−0¼	−0½	5.23
Amer. Corpn. 5¼ 01	200	†93½	93¾	−0⅛	+0⅝	5.94
Baker Int. 4⅛ 96	200	†87½	89	−0½	+0¼	5.85
Carlsberg 5 96	80	†102	103	0	+0½	4.65
Chujitsuya 5¼ 94	50	†103	103½	0	+0¼	4.82
Deutsche Bk. Fin. 5⅜ 95½	100	†105¼	105¾	−0⅛	+0¼	4.47
EIB 4⅝ 97	200	†98½	98¾	0	−0¼	4.80
Glendale F. S. & L. 5½ 95	100	†101½	102½	−0⅛	+0¼	5.19
Humana 5⅛ 98	120	†98	98½	+0¼	−1	5.34
Industrial Credit 5¾ 96	75	†100	100¼	−0⅛	+0½	5.73
Japan Dev. Bk. 5⅛ 97	100	†101¾	102¼	+0⅛	+0⅛	4.87
Oberös. Kftwk. 5⅜ 95	100	†102¼	103½	−0⅛	−0⅛	4.87
Olivetti Intl. 5½ 95	100	†103½	104½	−0¼	−0¼	4.89
Pepsico 5¼ 95	130	†104½	105	−0⅛	−0⅛	4.50
Prov. of Manitoba 4¾ 94	200	†101¼	102¼	+0⅛	−0¼	4.42
Ralston Purina 5⅜ 94	125	†103	103¾	+0⅛	+0⅛	4.61
Settsu Euro. 0 01	100	†47	47½	−0⅜	−0⅜	5.64
Tohoku Elec. Pwr. 4⅞ 96	150	†99¾	100	0	0	4.59
USX Corpn. 5¾ 98	100	†97¼	97½	+0⅛	+0⅜	6.08
World Bank 5¼ 94	150	†105½	106	0	0	4.81

Average price change on day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

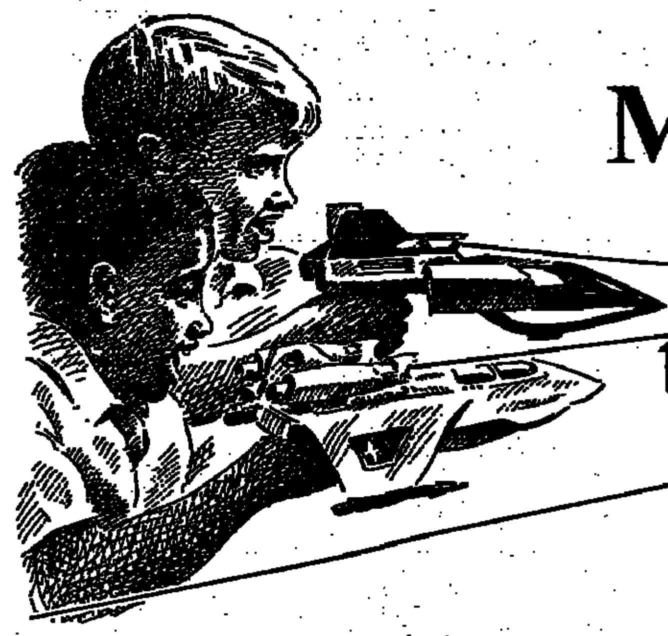
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

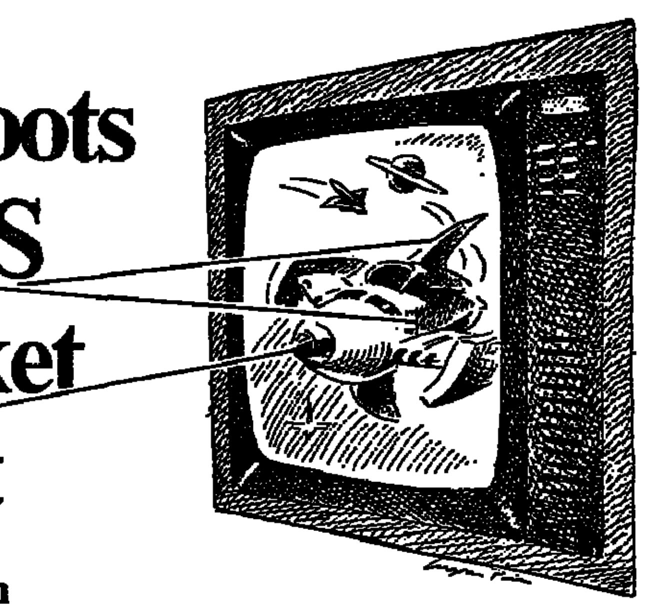
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; J. Henry Schroder Wagg and Co.; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.



Mattel shoots for a US toy market jackpot



By Laura Kupfrian

CAPTAIN POWER will do battle with the dastardly Lord Dread on television screens across the US from this autumn. And as he marches into combat he will lead an army of young TV watchers armed with a toy spacecraft that lets them participate in the action.

At least that is the hope of Mattel, the world's second largest toy company, which is looking to steal a march on its rivals as high-tech pushes its way into the $12bn market for toys in the US.

Mattel's product, the Power Jet XT-7, works in combination with the half live action, half computer animation Captain Power programme to be screened by 80 per cent of the independent US television stations from September. Set in the 21st century, each show will contain a five-minute battle scene during which children can help their hero by firing beams from their hand-held spaceships at the on-screen craft of Lord Dread. Hits on the enemy are registered by the Power Jet, while if it takes too much hostile fire from the villains its pilot ejects.

Mattel, not surprisingly claims the technology is a "breakthrough" and refuses to give details for fear of giving too much away to its competitors. Andrew Kessler, a semiconductor and electronics industry analyst with US stockbrokers Paine Webber, however, says the Power Jet is a breakthrough in toy technology but not in science. "A number of toy companies are looking to adapt discoveries in other industries, such as cars and aerospace, to create solid, inexpensive and innovative products."

THERE ARE those in the US who have made a strong stand against links between toy companies and broadcast television. Last week Action for Children's Television (Act) won a court ruling concerning the Federal Communication Commission's 1984 decision to deregulate children's TV. The court said that the FCC had not given sufficient reasons for deregulation and should now do so. Rich Bozzelli, special assistant to the General Council at the FCC described the court's decision as "a procedural loss for the commission."

Peggy Charren, president of Act, says there are currently over 70 programmes on US television which are based on toy company products, for example cartoon shows in which the toys feature as characters.

She insists that "the toys themselves are not the problem, but forcing them on people over the public airwaves is." Her solution involves the use of home video cassettes or cable TV to view the shows.

The decision by the US courts will not delay the introduction of Mattel's Power Jet XT-7 and it is unclear whether interactive programming would violate current FCC rules.

Peggy Charren claims, however, that "TV broadcasts that require the viewer to purchase a toy in order to get full enjoyment from the programme are unfair to that part of the population which cannot afford the product."

Speculating on the electronics at the heart of Mattel's product, Chris Taylor of Origin, a UK toy company, says it would not be difficult for manufacturers to make use of chips like those used in many burglar alarms, and which scan an area for light or sound patterns. Thus the Power Jet XT-7 could be set for certain patterns in the Captain Power programme and these would

Power Jet has "a marketing hook that will make it a big money earner"

trigger responses in the child's spacecraft. Mattel admits that its product, which is expected to sell for between $30 and $40, is "not that complicated."

Bob Rebitz, an analyst with Davis Skaggs in San Francisco, agrees that the technology in Power Jet is "probably not leading-edge." But he says that, by linking the toy to a television programme, Mattel has "a marketing hook that will make the product a big money earner." He forecasts sales will soon climb to around $70m-$80m a year.

However, he warns that the rapid progress of toy technology could sharply increase the obsolescence rate of products in a traditionally volatile market. Rebitz says Mattel needs to be wary of new technologies from competitors which would quickly spike the Power Jet's guns.

Alastair Irvine, an analyst with Chase Manhattan Bank, agrees that products linked to television or videos will be "a huge source of income for the toy industry over the next few years." And, like Rebitz, he warns of "products that are a smash hit for one or two Christmases."

Among the US companies pursuing Mattel into the field of screen-linked electronic toys are Hasbro, the US toy market leader, Axlon, Fisher Price and Worlds of Wonder. Axlon, which has annual sales of $18m, is already marketing its Tech Force and Moto Monsters, a game which will eventually allow interaction with the television but at present consists of computer - controlled robots which play out video games on the living room floor. At over $500 for a complete system this is seen by market specialists as more for the toy hobby enthusiasts. However, Nolan

There is a growing danger of "toys that are a smash hit for one or two Christmases"

Bushnell of Axlon is working with Hasbro on a toy called Nemo. Analysts expect this to be the next step in the interactive race, and the biggest threat on the horizon to Mattel's Power Jet.

Worlds of Wonder, a three-year-old electronic toy company with annual sales of some $400m, is placing its faith in products which interact with video cassettes, rather than intricate television broadcasts.

In Worlds of Wonder's ActionMax, which will be readily available in the US by the end of August, children fire toy pistols at a variety of television targets on videos filmed in Hollywood and equipped with stereophonic sound which is played back through a set of headphones. The package, including optical scanning pistols, base unit, headphones and the first cassette, Sonic Fury, will sell for between $69 and $79. Additional video programmes will cost $19.95.

Ross Heil, vice president of marketing at Worlds of Wonder believes "children want continuous action, like that found in video games, rather than Mattel's weekly programme with only five minutes dedicated to interaction with the toy."

Even so, analysts like Alastair Irvine at Chase Manhattan say products such as Power Jet are the start of a generation of toys that "will be a shot in the arm for the market in the short term."

And where will this lead in toy technology? As Chris Taylor of Origin points out, Mattel's product is only really "active" one way. "Although patterns on the television have an impact on the toy, the child cannot alter the on-screen action."

As such it is the forerunner of truly interactive toys. Bob Rebitz of Davis Skaggs foresees a future where, for example, Big Bird, a character in the US educational programme Sesame Street, might ask a child what is two plus two, and change his response on the basis of a wrong or right answer.

Television standards upset by influx of recording formats

FILM AND VIDEO

by John Chittock

IN THE early days of television broadcasting, videotape recordings were made on large and complex machines using tape 2 in wide—the so-called system of quadruplex recording. New video recording systems employing only 1-in tape followed, albeit in two non-compatible standards so that the interchange of tapes became a problem.

Although 1-in systems still dominate the broadcast TV business, other new formats have been additionally adopted by the industry—principally for the convenience of lighter, smaller equipment suited to location work. Thus ¾-in U-matic video recorders and more recently — for Electronic News Gathering (ENG)—even smaller combined camera-recorder units based on ½ in tape have been introduced. But again there is more than one non-compatible standard so that ½ in tapes are not automatically interchangeable.

This proliferation of standards, with the added confusion of three different TV broadcasting systems around the world (NTSC, SECAM and PAL), has become a living nightmare for broadcasters and producers. Thames Television in the UK has just added a touch of Kafka to the confusion by deciding to adopt yet another new ½-in standard—Panasonic's MII—and with the reported intention of phasing out all existing related equipment.

Since many TV broadcasters have adopted Sony's quite different ½-in Betacam system for ENG work, the Thames decision has come as a surprise to many broadcasters — although there are some Independent Television companies in the UK which cannot even handle Betacam tapes if material is submitted in this format.

More confusion is, however, on the way. Developments in consumer video are now spilling over into the broadcasting business as the technical quality of domestic video equipment begins to approach the strict specifications of broadcasters. The ½-in systems already used by TV producers have their genesis in consumer video, and even the ¾-in U-matic is derived from a semi-professional format —the so-called low band (lower bandwidth) U-matic.

The recent arrival of the even smaller 8mm home video format has, surprisingly, also aroused the attention of broadcast equipment companies, which see this as yet another new format perhaps adaptable to broadcast standards.

For the companies already committed to 8m videos in the consumer market — such as Sony, Canon, Aiwa and Kodak —the possible availability of professional markets for the technology is a welcome life-raft because 8mm has not been the overnight success its backers anticipated. The problem has been, of course, the domination of VHS in consumer video—a de facto world standard for over 100m video cassette rcorders (VCRs). For home movie-making with camera cassette recorders (CCRs), the VHS format now challenges 8mm not only in sales but even in size and weight.

New problems lie ahead for 8mm video—and possibly even further confusion for the broadcasters—with the launch of an upgraded VHS system, Super VHS. Later this month, JVC will bring to its domestic Japanese market the first of a number of CCRs using the Super VHS standard—following the April introduction of a VCR deck for off-air recording.

The new format is not entirely compatible with standard VHS equipment. Although Super VHS machines will play standard VHS cassettes, the latter cannot be played on Super VHS decks. This means that JVC and the seven or so other companies supporting the new format already have one eye on the replacement market for those 100m VCRs.

The impact of this new system goes much deeper than that, however. The quality claimed for Super VHS is, in at least one respect, actually superior to that of broadcast television standards—namely, over 400 lines horizontal resolution. Coupled to an improved signal-to-noise ratio and reduced cross colour interference, in practice this all adds up to astonishing picture quality.

These claims were put to their most stringent test last week when a small gathering of leading video journalists from the US, France, Germany and the UK were given their first opportunity to see Super VHS. Both VCR and CCR versions were demonstrated, with live recordings made under some strongly contrasting lighting conditions.

The unanimous reaction of this highly critical gathering was one of unqualified praise. Picture quality was cleaner and less afflicted with minor faults than is the usual experience with TV broadcasts on domestic sets. Yet recordings had been made on both large and small versions of the Super VHS camera-recorders — equipment designed for home movie-makers, not broadcasters.

The ultimate demonstation, however, came with a pre-recorded tape derived from a 35mm feature film. This exemplified the quality which should be available on Super VHS VCRs when distributors release movies on the new format. On the evidence of this screening, home viewers may look forward to being able to see feature films with picture quality superior to normal TV broadcasts. To achieve this, however, the TV set manufacturers will have to offer a new generation of receivers capable of benefiting from the higher standards of Super VHS.

The knock-on effects could be quite significant, and on a broad front. For those committed to 8mm video, the development is bad news. Struggling to become a de facto standard, 8mm was already reported to be losing support in the vital US market.

But the worst news of all for 8mm came in a straw poll conducted among the journalists who attended JVC's demonstration. Nearly everyone questioned said that the future of 8mm as a consumer product is extremely uncertain.

Interestingly, one journalist went even further by suggesting that Sony's problems in the home video market may, in the future, cause the company to concentrate its strengths where success has been proven—professional and broadcasting markets.

Company Notices

NOTICE TO THE HOLDERS OF
WELLS FARGO & CO
£60,000,000 FLOATING RATE
SUBORDINATED NOTES DUE 1994

NOTICE IS HEREBY GIVEN that the Board of Directors of Wells Fargo California has approved a merger which will take effect on June 30, 1987, in which the Company's state of incorporation will be changed from California to Delaware (the "Reincorporation"). The Reincorporation was approved by shareholders on April 21, 1987. The Reincorporation will be accomplished by merging the Company ("Wells Fargo California") into a wholly owned subsidiary incorporated in Delaware ("Wells Fargo Delaware") pursuant to the terms of an Agreement and Plan of Merger between Wells Fargo Delaware and Wells Fargo California. Upon consummation of the merger, each share of stock of Wells Fargo California will be automatically converted into one share of the corresponding class and series of stock of Wells Fargo Delaware. The debt securities of Wells Fargo California, including the Floating Rate Subordinated Notes Due 1994 ("Notes"), will be assumed by Wells Fargo Delaware. The Reincorporation will not result in any change in the name, nature or place of business, management, assets, liabilities or net worth of Wells Fargo California.

The Notes will therefore continue to be listed on the Luxembourg Stock Exchange under the same denomination.

INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING SHARES PAR VALUE $2.50 COMMON STOCK
J. P. MORGAN & COMPANY INCORPORATED

A cash distribution of $0.34 per Depositary share will be payable on or after the 22nd July 1987 upon presentation of Coupon No. 69 at:

Morgan Guaranty Trust Company of New York
30 West Broadway
(Corporate Trust Department)
New York

35 Avenue des Arts
Brussels

Morgan House
1 Angel Court
London

at the designed rate less applicable taxes.

This distribution is in respect of the regular quarterly dividend payable on the common shares P.V. $2.50 J. P. Morgan & Company Incorporated on 15th July 1987.

CLYDE PETROLEUM PLC
(now renamed CLYDE EXPRO PLC)

NOTICE IS HEREBY GIVEN that in a Petition by Clyde Petroleum PLC (now renamed Clyde Expro PLC) to the Court of Session, Scotland, for sanction of a Scheme of Arrangement the Court on 3rd July 1987 granted an order sanctioning the Scheme of Arrangement.

Said order, together with a certified copy of the Scheme of Arrangement referred to therein, was duly registered with the Registrar of Companies in terms of Section 425 (3) of the Companies Act 1985 on 3rd July 1987, notice of which registration is hereby given.

McGRIGOR DONALD
Solicitors for the Company.

Erskine House,
68/73 Queen Street,
Edinburgh.
7th July, 1987.

Legal Notices

CLAYDRUM ENGINEERING SERVICES LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at Ye Olde Bell Hotel, Barnby Moor, Retford, Nottinghamshire, DN22 8QS on 10 July 1987 at 11.00 a.m. for the purposes of having laid before it the report prepared by the administrative receivers in accordance with the said section and, if thought fit, appointing a committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as security held by him (unless that other person is subject to a bankruptcy order or in liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims with us at Cork Gully, Albion Court, 5 Albion Place, Leeds LS1 6JP, no later than 12 noon on 9 July 1987. Proxies intended to be used at the meeting must also be lodged with us by that time.

Dated this 26th day of June, 1987.
M. J. MOORE and D. J. WATERHOUSE
Joint Administrative Receivers

TO THE CREDITORS OF
CLAYDRUM ENGINEERING SERVICES LIMITED

We, MICHAEL JOSEPH MOORE and DAVID JAMES WATERHOUSE, of Cork Gully, Albion Court, 5 Albion Place, Leeds LS1 6JP, the Joint Administrative Receiver(s) of the above named company, HEREBY GIVE NOTICE that creditors of the company may obtain, free of charge, copies of the report we have prepared under section 48 of the Insolvency Act 1986 by applying to us in writing at the above address (quoting reference Clay.Eng. Rep).

Signed:
M. J. MOORE, D. J. WATERHOUSE
Dated: 26 June 1987.

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Public Notices

THE SUPPLY OF CODEINE AND OTHER MORPHINE-RELATED DRUGS MONOPOLY INVESTIGATION

The Director General of Fair Trading has asked the Monopolies and Mergers Commission to investigate the existence or possible existence of a monopoly situation in the supply of the United Kingdom of codeine and five other analgesic drugs of the morphine family. The drugs listed in the reference are codeine, morphine, dihydrocodeine, diamorphine, ethylmorphine and pholcodine, their esters and ethers, and the salts of these substances.

The Commission will investigate and report whether a monopoly situation does exist, and if so, whether any action or omission by the monopolists operates against the public interest.

If you or any organisation to which you belong have any evidence or views which may help the Commission in their inquiry, please write to:

The Secretary,
Monopolies and Mergers Commission,
New Court, Carey Street, London WC2A 2JT.

UK COMPANY NEWS

Strong second half boosts S & N

BY DAVID WALLER

A STRONG second half helped Scottish & Newcastle Breweries achieve better than expected *profits for the year to May 3.*

Taxable profits rose by £15.2m to £90.3m, the company announced yesterday, against market expectations of between £85m and £87m. The share price responded by gaining 7p to close at 263½p.

This compares with a mild slide in the price at the interim stage, when pre-tax profits advanced by less than 4 per cent. Profits in the second half grew by 42 per cent, to £45.5m.

"Everything went well for us in the second half," confirmed Mr Alick Rankin, group chief executive. "Our hotel division staged a spectacular recovery following an artificially depressed first half. Brewing *was boosted by a seven-month* contribution from Home Brewery, and by strong take-home sales."

Group turnover rose by 7 per cent to £827.5m (£773.6m). Of total operating profit of £103.1m (£88.9m), £88.3m came from beer-related activities, against £75.6m in the previous year. Hotels contributed £14.7m, a 5 per cent increase over the previous year.

Mr Rankin said he was encouraged by the high occupancy level in the Thistle Hotels chain, stimulated by winter promotions. The first half had been afflicted by the absence of US tourists in Europe, a trend now reversed.

*Home Brewery, the Notting*ham brewer of Robin Hood ales acquired for £120m in August last year, made only a negligible contribution to S&N's profits in the first half. The full year figures include profits of £4.5m from the acquisition, after £1.4m financing costs.

Margins on draught beer increased, although volume was barely ahead in a slack market. Mr Rankin hoped that the current fine weather would increase demand for its range of beers, which includes McEwans and Younger Ales.

Income from investments, which include a 29.6 per cent stake in Matthew Brown, the Blackburn brewer for which *S&N made an unsuccessful bid* in 1985, rose from £5.1m to £6.3m. Interest payable was £19.1m (£18.9m).

The tax charge was £29.3m, against £23.9m. Earnings per share rose from 16.8p to 18.3p, and the directors recommended a final dividend of 5.54p (4.82p) per ordinary share, making a total of 7.95p (7.01p).

Mr Rankin would not comment on whether S&N would contemplate making another offer for Matthew Brown. "The shares have proved a sound investment," he said.

See Lex

Troubled Milford in reverse rescue bid

BY CLAY HARRIS

Milford Docks Company, the troubled Welsh harbour and hotels operator, said yesterday it would be unable to continue trading unless shareholders accept a rescue by Seacon, a private cargo handler and shipping group, based in London.

Directors told shareholders in the annual report published yesterday—along with details of the Seacon offer and Milford's 1986 results—that the group is "unable to meet its liabilities as and when they fall due."

It is in default on loans of more than £2.3m to Mr Roger *Shashoua, a former director,* who took the debt over from Standard Chartered Bank.

Milford, the oldest public company in Wales, would be a minnow in a large pond after what is, in effect, a reverse takeover. Its shareholders would account for only 7 per cent of Seacon Holdings, a new group set up to hold it and Seacon.

Seacon intends to revitalise the docks at Milford Haven in south-west Wales and to gradually develop land in the surrounding enterprise zone.

There is no cash element to the Milford offer, although Seacon shareholders will receive loan notes as well as shares in the new group.

Seacon Holdings shares have asset backing of about 100p, according to Guidehouse Securities. The 18-for-100 offer values Milford shares at 18p, against the 71p suspension price in February.

Milford's net asset value plummeted from 77.14p at the end of 1985 to 2.4p at the end of last year. Guidehouse estimated a net liability of 1.07p per share at the end of May.

The company's plight was underlined yesterday by its results for 1986. Although the pre-tax loss narrowed to £642,933 from £772,642 on turnover 58 per cent ahead at nearly £1.2m, provisions and losses for a hotel subsidiary gave rise to an extraordinary debit of £417,473 (£6,500 credit). Milford has not paid a dividend since 1972.

By contrast, Seacon achieved pre-tax profits of £625,000 on turnover of £18.8m in the year to last September.

The Milford accounts were qualified on two points by auditors Coopers & Lybrand. They said that adjustments would be necessary if the additional funds envisaged through the proposed takeover did not become available. An hotel, which Milford planned to sell, had been included in the accounts at estimated realisable value.

See Lex

New broker for Aberdeen Steak

Guidehouse Securities has agreed to be the new stockbroker to Aberdeen Steak Houses, the USM-quoted restaurateur, after Fiske, the previous broker, resigned in April.

In March, Aberdeen lost its appeal against a High Court ruling that it had underpaid six workers in contravention of the Wages Council Act. Two *directors promptly resigned,* saying they had received assurances before they joined the board that there was no foundation to the employees' complaints and Fiske followed suit soon afterwards.

Mr John East, of Guidehouse, said yesterday that he had insisted on "a full, frank and open relationship" with his new client.

Change of control at Oakwood

BY NIKKI TAIT

Shares in Oakwood Group, a small sanitaryware wholesaler and civil engineer, soared from 200p to 525p yesterday after a consortium of investors announced that it had picked up a controlling stake in the business.

The concert party comprises *Mr Anthony Bodie, a property* consultant with estate agents Herring Son & Daw, Mr John Austin, a senior partner at surveyors Goodman Mann and Mr Ronald Jacobson and Mr Barry Townsley at London stockbrokers Jacobson Townsley. Also involved are Mercury Asset Management, acting on behalf of the group's clients, the Ailsa Investment Trust, and three unit trusts within the Bishopsgate stable.

Together, these investors have acquired a 45 per cent holding in Oakwood—44.65 per cent of it coming from Oakwood directors, Mr E. D. Chambers and Mr G. F. Mann at 275p a share. With an obligatory offer being made at the same price, the sellers have given undertakings to accept in respect of a further 5.1 per cent, taking the concert party to a controlling position.

In the unlikely event that shareholders now accept, the concert party says such shares will be placed out at the bid price.

Mr Chambers and Mr Mann will remain on the board, but Mr Bodie becomes executive chairman with particular responsibility for developing the existing property interests of Oakwood, and Mr Jacobson becomes a non-executive director. Yesterday, Mr Jacobson said that the new investors would *need to assess the existing busi*nesses within Oakwood first, but might also look for complementary interests and acquisitions in the future.

Profits at Oakwood, which came to the market in 1980, have been on a plateau for several years—in the year to end-September 1986, it made £155,000 (£204,000) pre-tax on sales of £13.64m.

BTR gets inquiry into accountants objectivity

BTR, the industrial conglomerate, has succeeded in obtaining an inquiry into the objectivity of Coopers and Lybrand, the accountancy firm, during BTR's abortive *bid for Pilkington in January* this year.

The Institute of Chartered Accountants has referred a complaint from BTR to its disciplinary committee, where Coopers must answer the charge that it "lacked objectivity" when it prepared a document criticising the integrity of BTR's profit record.

The report, entitled "Briefing on BTR—7 January 1987" was distributed to a number of journalists and City institutions during the course of the bitter bid.

Coopers are Pilkington's auditors and Sir Owen Green, BTR's chairman, wrote to the ICA on January 26 complaining that such a report was inconsistent with the impartiality expected of a firm of auditors.

Mr Brandon Gough, Coopers senior partner, said that the work "was carried

Trafalgar in sale of onshore oil side to BP

By Lucy Kellaway

Trafalgar House has sold its onshore oil subsidiaries, Candecca Resources and Cambrian Exploration, to British Petroleum for £21m. The move comes three years after it made a major move into onshore oil exploration with the purchase of Candecca for £78.5m.

Trafalgar, which will retain interests in 28 onshore licences, said yesterday that it remained committed to oil exploration and production. The company has stakes in 18 North Sea blocks and oil assets in North America.

BP, which is the largest explorer *for* oil onshore in the UK will gain a further 32 UK onshore licences.

Trafalgar said that it was keeping half its 25 per cent interest in the producing Humbly Grove oilfield.

Raine sells Tilbury stake and abandons bid plans

BY CLAY HARRIS

Tilbury Group breathed a sigh of relief yesterday after Raine Industries, a fellow contractor and housebuilder, sold its 23.2 per cent stake into the friendly hands of Schroders, Tilbury's merchant bank.

The disposal of the stake, which Schroders placed widely at 352p, ended speculation that Raine would mount a full bid for Tilbury after the expiry of its self-imposed six-month grace last week.

Tilbury shares reflected the evaporation of bid hopes, losing 47p to 355p. Raine added 9p to 180p.

Schroders wiped the Raine from Tilbury's horizon with a timely approach in the heat of last week. Raine accepted the offer, which was worth about 350p a share, on Friday.

Raine's decision to walk away from Tilbury with a profit of £6.3m, before costs and Capital Gains Tax, reflected the changes in both companies' fortunes since Raine bought a 20.3 per cent stake from Govett Strategic Investment Trust in December.

Mr Peter Parkin, chief executive, said that Raine had considered a bid "if this could be achieved at a reasonable price and in a constructive and friendly fashion." However, the Tilbury share price had risen by 60 per cent above the average cost to Raine, and Tilbury management had signalled its intention to mount a fierce defence.

Since December, Raine has expanded its housebuilding, shopfitting and construction activities through the acquisition of Ford and Weston, Twiname and Millard.

The disposal would allow Raine to eliminate borrowings and approach any future acquisition flexibly.

At Tilbury, meanwhile, the benefits of its 1986 acquisition of West's Group International have become increasingly apparent, with a 64 per cent rise in pre-tax profits last year and forecasts of a further 20 per cent earnings advance in 1987.

PFPUT rejects revised bid from Trafalgar House

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

The Pension Fund Property *Unit Trust's* committee of management yesterday rejected a revised bid from Trafalgar *House,* the *shipping, property* and construction group, for its portfolio.

The portfolio has a far higher realisable value than the price Trafalgar House has put on it, PFPUT argued. Trafalgar House had offered £2650 a unit, which valued the portfolio at £212m.

The rejection follows soundings which Schroders, the merchant bank, has taken among the Pfput unit holders. Although these sounding, which covered the owners of half of Pfput's 76,000 units, were taken before the new bid came in, they reflected a desire to seek considerably higher prices for the assets.

Under those circumstances an increase in the total offer from £201m to £212m was not thought to be very significant. If Pfput should decide to sell its assets it seems likely that they will be auctioned.

Aclearer idea of how the Pfput unitholders see the future will come at the annual general meeting later this month.

Speyhawk improves to £3.4m

By Paul Cheeseright, Property Correspondent

Speyhawk, the expanding property development and trading company, yesterday produced its expected increase in half year profits but held its *interim dividend at the same* level as last year.

The shares responded by climbing 5p to 508p in a generally steady market.

Pre-tax profits for the six months to March were £3.4m on a turnover of £39.3m, compared with £2.11m on a turnover of £17.1m in the same period of 1985-86. Earnings per share rose to 12.3p from 10p.

The interim dividend is maintained at 2.52p.

The higher level of profits and turnover followed the completion of projects in the City of London and the West End while the group has also been able to ride the boom in residential housing through its joint ventures.

Further expansion of the group was foreshadowed just before the end of the first half *with a rights issue that raised* £26.3m.

BSR INTERNATIONAL, the Hong Kong-based electronics group, yesterday announced it was in discussions with Girmi, an Italian electrical houseware group, with a view to acquiring the business. Girmi had sales of Lit 33.6bn (£16m) in 1986.

Seeking peace at Bremner

BY PHILIP COGGAN

COULD peace be breaking out at Bremner, the property and department store group? Mr Andrew Greystoke, chairman of City and Westminster Financial, the financial services company, which tried unsuccessfully to unseat the current board in March, and is set to try again in three weeks time at an extraordinary general meeting, said yesterday he hoped "a sensible solution" could be achieved.

CWF has just sold 130,000 shares in Bremner, but still holds, via Malaga Investment, a stake of 2.4m shares — over 27 per cent of hte equity.

Mr Greystoke wanted to move Bremner into financial services, but Mr James Rowland-Jones, the company's battling chairman, forestalled him by announcing plans to acquire Carswell, the Glasgow stockbroker, for an initial consideration of £1.35m.

"The Carswell move looks sensible, although we have not yet seen the circular," said Mr Greystoke yesterday, "and it may be that a deal, whereby we get a seat on the board, would help avoid a damaging row."

TSL incurs £0.5m loss

TSL, maker of vitreous silica, incurred a pre-tax loss of £502,000 for the six months to April 30 1987 against a previous profit of £69,000. Sales declined from £9.43m to £8.93m.

The interim dividend is being omitted. Last time 1p was paid but the final was passed following a fall in full year profits to £577,000 (£2.55m).

The directors announced that the position of group managing director had been suspended and the future of Mr Bent Henriksen with the company was under negotiation.

Dr A. G. Roach has been appointed executive deputy chairman with overall executive authority. His task will be to improve the imediate prospects of the group and at the same time review longer-term opportunities.

In the opening six months market conditions had been difficult with no prospect of immediate improvement. Sales to the semi-conductor industry continue to be low and there has been a drop in sales of some of the company's most profitable lines.

Loss per 25p share worked through at 5.32p (earnings 0.4p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Beavercot‡	3.3	Aug 14	—	5	—
Brown & Tawse	5	Aug 13	5	7.2	7.2
Carclo Engng	14.35	Sept 4	1	18.75	15
Glass Glover int	*1.95*	—	*1.76*	—	*4.03*
Leopold Joseph	10.52	Sept 5	9.56	13.33	12.38
Logitek	1.3	Sept 28	—	1.3	—
Markheath	1.6	Oct 1	1.93	2.4	2.68‖
Nobo Group	3.25	—	—	3.25	—
North of Scotland	2.5	—	—	2.5	—
Real Time‡	2	Oct 5	2	2	2
Robertson Research	2	Sept 29	1.8	2.8	2.5
Scot & Newcastle Brew	5.54	Sept 7	4.82	7.95	7.01
Securguard Group int	1.7‡	—	—	—	3.5
Textured Jersey	3.75	Oct 5	3.75	6	6
TSL int	nil	—	1	—	1
Speyhawk int	2.52	July 31	2.52	—	10
Vibroplant	8.25	Oct 12	6.8	12.5	10.5
Vinten	2.25	Oct 1	0.53	3.3	1.58

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for script issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ For 15 months.

UK COMPANY NEWS

Ryman agrees £20m share exchange offer from Pentos

BY DAVID WALLER

Pentos, the poster publisher and university bookseller, yesterday emerged as the buyer of Ryman, the office equipment and stationery retailer which announced a fortnight ago that it had received an approach which "may or may not" have led to an offer being made.

Pentos, best known for its Dillons Bookshop and Athena retail chains, is to acquire Ryman for £20.03m in an agreed bid. The combined group will have a market capitalisation of about £170m and combined turnover of approximately £120m on a pro-forma basis.

Ryman forecast yesterday that it will make pre-tax profits of no less than £1.05m in the year to May 31 1987, against £550,000 in 1985-86. Pentos returned taxable profits of £5m in 1986, and £2.97m in 1985.

The deal will add Ryman's 61 shops to Pentos's existing chain of 90 outlets with a selling area of some 200,000 square feet. The combined group will initially have about 290,000 square feet of retail space, to which Pentos intends to add 80,000 square feet by opening a further 40 stores by the end of the year.

"This is a marriage made in heaven," said Mr Terry Maher, Pentos chairman. "Ryman is a natural fit. Both Ryman and Pentos are design-led retail chains based in London and the south-east, and both can be expanded nationally. Both have strong brand names."

Mr Maher added that there were major benefits to be derived from inter-company trading and joint ventures. Athena already supplies Ryman with greetings cards and gift-wrapping, and some of the Dillons bookshops operate stationers which can readily be adapted to the Ryman format.

Ryman shareholders are being offered 227 ordinary shares in Pentos, for every 200 shares in Ryman. With Pentos shares down 2p yesterday at 179p, this values Ryman at £20.03m, against a market value of £9.9m when floated on the USM in October 1986.

The offer has been accepted by shareholders with 53.3 per cent of Ryman's equity.

There is a cash alternative of 192.95p per Ryman share, compared with the unchanged market price of 194p yesterday. This represents an increase of 90p since the day before the announcement. The paper offer values each share at approximately 203p.

Ms Jennifer D'Abo, Ryman's colourful chairman, will become a non-executive chairman of the new group.

Glass Glover up 17% and expands via £3m deal

Glass Glover Group yesterday reported a 17 per cent increase in pre-tax profits for the opening six months of the 1986-87 year and at the same time said it was expanding its growing division via a £3.1m acquisition.

Turnover for the half year to March 31 expanded from £52.75m to £60.92m and at the pre-tax level profits pushed ahead by £133,000 to £911,000 — apart from its growing interests the group is a food distributor and importer of fresh fruit and vegetables.

Earnings worked through at 5.56p (4.7p) and the interim dividend is being stepped up from 1.76p to 1.95p per 5p share.

The acquisition is that of Emmett (Windsor). Emmett is a new company formed to acquire horticultural interests of the partnership of W. Emmett and Son.

The assets being purchased include 23 acres of freehold land at Windsor and 80 leasehold acres at Byfleet. Turnover attributable to business being acquired totalled £6.2m for 1986.

The acquisition will funded via the issue of 996,416 Glass Glover ordinary shares.

In all the directors said the group was on course for a successful year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Alexanders Holdings, Fletcher King, Granada, Habit Precision Engineering.

Finals: AAH, Burnett and Hallamshire, Cheshire Wholefoods, Country and New Town Properties, R. W. Toothill, Whinney Mackay-Lewis, Wintrust.

FUTURE DATES

Interims—

Egerton Trust	July 14
Huntingdon International	July 29
Updown Investment	July 28

Finals—

Applied Holographics	July 17
Jones Stroud	July 16
Tiphook	July 8

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
182	133	Ass. Brit. Ind. Ordinary	182	—	7.3	4.0	11.2
172	145	Ass. Brit. Ind. CULS	172	—	10.0	5.8	—
38	34	Armitage and Rhodes	38	—	4.2	11.1	5.3
90	67	BBB Design Group (USM)	89	+1	1.4	1.6	21.2
286	215	Bardon Hill Group	286xd	—	5.3	1.9	24.4
171	95	Bray Technologies	171	—	4.7	2.7	13.7
199	130	CCL Group Ordinary	199xd	—	11.5	5.8	5.1
123	99	CCL Group 11pc Conv. Pf.	123	—	15.7	12.8	—
147	136	Carborundum Ordinary	147	+1	5.4	3.6	12.8
94	91	Carborundum 7.5pc Pf.	93xd	—	10.7	11.5	—
108	67	George Blair	108	—	3.7	3.4	2.8
143	119	Isis Group	120	—	—	—	—
138	119	Jackson Group	138xd	—	6.6	4.9	7.8
403	321	James Burrough	403xd	+1	18.2	4.5	9.1
97	86	James Burrough 9pc Pf.	97	—	12.9	13.3	—
780	510	Multihouse NV (AmstSE)	510xd	—	—	—	20.2
452	351	Record Ridgway Ordinary	452	+2	1.4	—	9.1
86	82	Record Ridgway 10pc Pf.	82xd	—	14.1	17.2	—
91	80	Robert Jenkins	80	—	—	—	3.5
112	42	Scruttons	112	—	—	—	—
186	141	Torday and Carlisle	186xd	—	6.6	3.6	8.0
415	321	Trevian Holdings	415	—	7.9	1.9	8.6
108	73	Unilock Holdings (SE)	108xd	—	2.8	2.6	19.9
180	115	Walter Alexander	180	—	5.9	3.3	13.3
196	190	W. S. Yeates	196xd	—	17.4	8.9	19.5
118	86	West Yorks. Ind. Hosp. (USM)	118	—	5.5	4.8	12.5

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Leopold Joseph raising £12.9m

By David Lascelles, Banking Editor

LEOPOLD JOSEPH, the small merchant banking group, is to raise £12.9m in a one-for-one rights issue. The proceeds, which more than double the bank's share capital to £21.5m, will be used to boost resources at a time when business is buoyant, but the regulatory authorities are tightening up on capital standards.

Mr Michael Quicke, a director, said that the larger capital base would enable the group to increase its loans to individual customers under the new regulations on large exposures.

The issue will be priced at 500p compared to a closing price of 618p on Friday evening. The bank's major shareholders have all approved the deal. They are Refuge Assurance, Dumenil-Leble, the French financial services group, and the Scottish American Investment Company, representing altogether 59.8 per cent of the shares. The balance of the new shares is being underwritten by Hoare Govett.

Leopold Joseph also announced yesterday that its profits for the year ending March 31 were £700,000 after taxation and transfers to inner reserves. This is an increase of £75,000 over the previous year. The final dividend is being increased by 10 per cent to 10.52p per share, giving a total of 13.33p.

The group's total assets increased from £139m to £154m.

Hobson in minority deal

Hobson, the overseas trading group, is to pay £383,000 in cash and shares to buy out the 25 per cent minority in Bannacount Metal Company, subidiary of one of its operating units.

BMC, a commodity trader, achieved pre-tax profits of £197,508 in the year to March. Hobson is paying £50,000 in cash and issuing 300,000 new shares to Mr S. P. Cockerell, BMC's chairman.

The company now comprises Bannacount Exports, a commodity trader and exporter of medicated toiletries to west and central Africa, and Tower Hill Merchants, an exporter specialising in the Caribbean. Hobson shares lost 1p to 111p yesterday, where the company is valued at £37m.

BOM cuts losses

BOM Holdings, formerly Bristol Oil and Minerals, reduced its pre-tax losses from £6.81m to £1.04m in 1986. No dividend is again being paid—no payments have been made since October 1982.

Turnover plunged from £3.38m to £186,000, and there was an operating loss of £746,000 compared with £2.6m. Interest receivable and similar income amounted to £548,000 (£626,000), but interest payable was £1.23m against £1.78m.

There was an exceptional credit of £377,000 against a debit of £833,000. No tax was payable. The loss per 25p share was 2.61p (16.35p).

IN BRIEF

TEMPLETON, GALBRAITH & Hansberger, the New York fund management company which is listed on the London Stock Exchange, is to buy Templeton Management, a Canadian investment adviser, for C$5.14m (£2.4m) in cash. Templeton Management had a net asset value of C$1.6m on May 31 and net profits in the previous six months were C$627,000.

NORTH OF SCOTLAND Investment is paying a dividend of 2.5p for year ended May 31 1987. Revenue before tax was £52,571, including franked investment income £37,458 and unfranked £59,776. Majority of funds should be invested in unquoted companies over the next year. Some 48 per cent of funds in unquoted situations; also invested in gilts and quoted companies in the North of Scotland. Net asset value 25.6p per share.

SKETCHLEY has acquired a leading household water softener business—a division of the Permutit Company—from Portals Holdings for a consideration of approximately £1.2m.

SHARES in Kenyon Securities, the USM quoted funeral director, were yesterday suspended at 450p at the company's request pending a further announcement.

YELLOWHAMMER: The chairman and creative director have reduced their stake in the USM-quoted advertising agency to just over 50 per cent. They say the move is to broaden the company's shareholding base ahead of its proposed full listing later this month. Mr John Summerill, chairman and managing director, sold 1.13m shares and Mr Pemberton sold 375,000 shares at 250p. Yellowhammer's shares closed up 31p at 282p.

Vinten makes sharp recovery

WITH THE problems in the military division firmly in the background, the Vinten Group made a substantial recovery in the year ended March 31 1987 and said it looked forward to continued progress

"Overall, we are very optimistic and the prospects for expansion are now encouraging," claimed Mr Michael Brown, the chairman.

Profit before tax for the year expanded to £3.11m following £1m in the first half. It compared with a loss of £400,000 last time, after allowing for an exceptional £1.51m on withdrawal from the Tornado video recorder contract.

Earnings for the year were 10.7p (loss 1.9p) and the dividend is lifted from 1.575p to 3.3p net, with a final of 2.25p. In 1984-85 total payment was 3.15p.

Mr Brown said the military division already had £7m worth of orders for 1988-89, and profits would be enhanced by the success of the BAe Tornado, Harrier and Hawk aircraft.

International demand for the products of the broadcast side was buoyant in a growing market. In electro-optics expansion continued in the UK and US markets, although margins were being squeezed in the latter.

Turnover showed little change at £30m (£29.6m); some 67 per cent of that was represented by direct export and overseas company sales. Profitability was helped by movements in the value of sterling and improved the ability to compete in export markets.

A split of turnover and profit showed military £8.1m (£9.63m) and £1.46m (loss £1.56m), broadcast £8.12m (£5.39m) and £1.53m (£915,000), electro-optics £8m (£7.69m) and £958,000 (£863,000), and technology £5.8m (£6.9m) and £76,000 (£61,000).

Broadcast systems made record profits and launched a lightweight camera mounting which sold well beyond expectations. The military division was rationalised in the first half.

• comment

Vinten's full-year turnaround should not have been entirely unexpected after its return to profit at the interim stage—but it was either bid speculation or genuine surprise which pushed the share price up 30p to 217p after the announcement. With the £4m loss on the Tornado contract behind it, the group has rationalised its military division and steered its ship back into calmer waters. All divisions have performed well, with broadcast benefiting from the proliferation of TV production companies in the UK and worldwide—the company currently has 80 per cent of the world market—and demand in the military division climbing despite the market's depression, particularly in the US. The general feeling is that this is a good niche company which is well-positioned longterm. The City is looking for £4.1m next time, which on an increased tax charge of 35 per cent gives a prospective p/e of around 17—rather high but not out of line with comparable electronics companies.

Beaverco makes headway

Beaverco, maker of polyurethane foam, whose shares were placed on the USM in June 1986, yesterday reported pre-tax profits up from £1.02m to £1.16m.

Mr John Lees, chairman, said manufactured and converted foam, although suffering reduced demands in the first half continued to operate satisfactorily with improved demand in the second half.

Turnover last year was up from £15.62m to £16.85m, but operating profits were virtually unchanged at £1.23m (£1.24m). The share of profit of associate companies amounted to £29,000 (nil) while income payable less that receivable was £99,000 (£219,000).

Tax was little changed at £342,000 (£337,000) and there was an extraordinary credit of £45,000 (£8,000 debit). Earnings per share worked through at 13p (12.3p).

There is a final dividend of 3.3p to make a total of 5p per 5p share (single payment of 1.7p).

The company had exercised the option to acquire the remaining 51 per cent shareholding of Body Sculpture.

AB Engineering in profit

CONTINUED progress in the catering equipment business enabled the Associated British Engineering group to return to return to profit for the second half, and for the year ended March 31 1987 as a whole.

After a £70,000 loss midway, the group turned in a profit of £77,000 for the full year, against £183,000 previously which was enhanced to £332,000 by an exceptional property surplus.

In catering equipment, operating profit was pushed up from £151,000 to £374,000. But the electrical side fell to £245,000 (£334,000), Middle East operations to £68,000 (£352,000) and engineering to £97,000 (£247,000).

The last two divisions were hit by very poor trading conditions in the UAE and the North Sea oil supply industry.

Turnover for the year came to £28.16m (£28m). Associates contributed £13,000 profit (£16,000 loss) and interest payable was £518,000 (£676,000).

Tax took £88,000 (£89,000) and minorities £5,000 (£45,000). Extraordinary debits totalled £81,000 (£522,000).

Cakebread holders reject approach

By Nikki Tait

Shares in Cakebread Robey, the builders and timber merchant, fell 13p to 142p yesterday as the board announced that two major sets of shareholders, together speaking for over 50 per cent of the equity, have turned down a potential bid approach.

The two—Smith & Sons, which has an established 23.2 per cent holding, and the Robey family with a combined 34.6 per cent—have also "indicated to the directors their unwillingness to sell at this time."

CR said yesterday that the approach had come from someone interested in using the company as a vehicle, but refused to elaborate further.

It notified the market of an approach in early-April, when its shares jumped from around the mid-60s to 118p.

In 1986, the company saw pre-tax profits rise from £638,000 to £809,000 before tax, on sales of £22.6m.

DERITEND STAMPING, the casting and electrical services group, has acquired aCtes Electrical, a Norwich-based contractor and builder of specialist control panels.

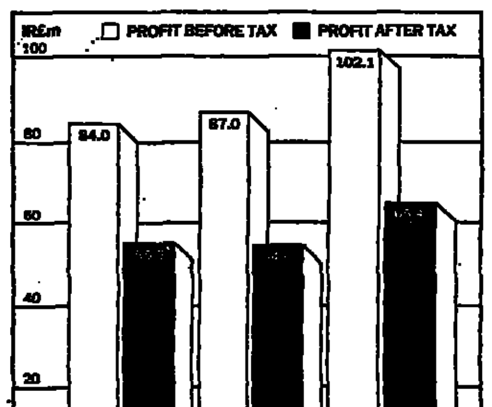
Allied Irish Banks plc

EXTRACTS FROM THE STATEMENT BY NIALL CROWLEY CHAIRMAN OF THE BOARD

"The mission of the AIB Group is to be the premier Irish financial services organisation capable of competing worldwide, by consistently delivering high quality service on a competitive basis to our customers in Ireland and throughout the world."

PERFORMANCE

Despite the fact that for the first time ever the Group earned pre-tax profits in excess of IR£100 million, the most satisfying feature of the results for the year ended 31st March 1987 was that the after-tax profits increased by 20% to IR£65.4 million. This follows three years of modest increases in after-tax profits.



*Year ended 31st March 1985 before extraordinary item.

GROUP STRATEGIES

The 1980s have seen a dramatic growth in our international activities—not least in Britain where we now have a fully integrated banking group employing over 1,000 people in more than 60 locations. Britain now contributes almost 30% to Group profits.

Part of our international diversification strategy is to open offices in strategically selected locations around the world. These now include New York and Chicago, Brussels and Frankfurt, Sydney and Singapore, the Isle of Man and Jersey.

Our historic transatlantic partnership with First Maryland Bancorp (FMB) has been a great success and we are looking forward to a continuing and increasingly successful partnership in the years ahead.

Our greatly increased international focus has significantly diversified the asset and profit bases of the Group. In the year ended 31st March 1987 over 50% of our profits were earned outside the Republic of Ireland. In the process I believe that we have also effectively underpinned and secured our Irish operations, which remain the core of our business.

Our recently announced acquisition of a substantial minority stake in Coyle Hamilton Group, the largest firm of insurance brokers in Ireland, is the latest evidence of our intention to pursue product diversification as part of a continuing strategy.

The setting up of Allied Irish Securities as a stockbroking agency business within the Group, which will operate both in Ireland and Britain, is another part of our product diversification programme, while our transatlantic link-up with New York Stockbrokers Moore & Schley adds an extra dimension to our entry into stockbroking business.

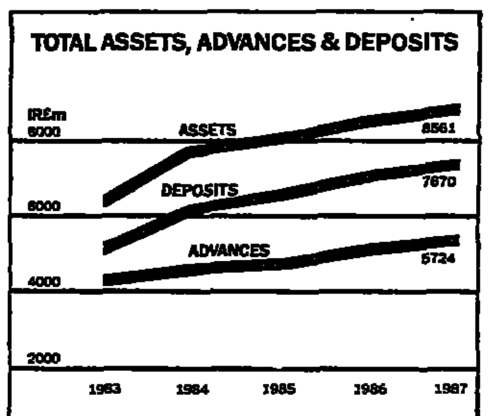
The financial services market is changing from a series of isolated highly regulated markets towards an integrated more competitive global market. We must embrace these changes and benefit from the opportunities which they provide.

The AIB Group will increase its market share in Ireland by meeting customer needs in a competitive manner and aggressively seeking out and availing of banking and related financial services opportunities.

THE ENVIRONMENT

To achieve our mission, the environment in which we operate, particularly the environment in Ireland, must be right.

The completion of the European Community's internal market, coupled with the development of internationally traded financial services based in Ireland, requires Irish banks to be fully competitive, both in their international operations



and in the development of their home base. The bank levy would significantly affect the competitiveness of Irish banks in these emerging circumstances.

The current dramatic development in the financial services markets provides great opportunity for Irish based financial institutions, especially for the substantial and already large international banking groups such as Allied Irish Banks plc. We have the skills and the experience of the international banking marketplace and it is in that context that we in AIB have set ourselves credible and achievable objectives for our participation in the international financial services market.

OUTLOOK

Subject to no unexpected setbacks in the economic environment, I am confident that the Group will put in a good performance in 1987/88. Our business plans are aggressive and ambitious. The Group is well managed, well structured and it is developing an enhanced response to customer needs.

DIVIDEND

At the time of the Rights Issue last year we forecast a dividend of 11.25p per share, an increase of 12.5% on the previous year. We are pleased that it has been possible to meet this forecast, while still maintaining three times dividend cover.

The Annual General Meeting will be held at Allied Irish Banks plc, Group Headquarters, Bankcentre, Ballsbridge, Dublin 4, on Tuesday 14th July 1987 at 12 o'clock noon.

UK COMPANY NEWS

Buy-out contenders for Martin

By Lisa Wood

A management buy-out team is among the contenders for the £200m plus purchase of the Martin the Newsagent Group, the newsagents subsidiary of Guinness, the drinks group.

Guinness last April announced its decision to sell its principal retailing activities, which include Martin the Newsagent, in order to concentrate resources on developing its international drinks businesses.

Last Friday was the deadline set by Lazard Brothers, Guinness's merchant bank, for outline proposals by companies which had showed an interest in Martin. Lazards said: "We have had a good number of proposals including one from Martin's management.'

Lazards said it would be examining the proposals and then would draw up a short list. Most of the potential suitors have existing retailing activities but do not necessarily own newsagents themselves.

Real Time up at £600,000

Real Time Control, a USM company which designs, develops and manufactures computer systems and terminals, reported an increase from £413,000 to £605,000 in pre-tax profits for the year to March 29 1987.

The dividend is unchanged at 2p net, and stated earnings per 5p share improved from 3.4p to 5.5p.

Group turnover for the year rose slightly from £3.99m to £4.11m. The pre-tax figure included investment income up from £82,000 to £162,000.

Vibroplant 39% ahead at £4.58m

SHARPLY HIGHER returns from both the UK and the US enabled Vibroplant, Harrogate plant hire group, to lift its 1986-87 profits to £4.58m, an improvement of 39 per cent over the previous year's £3.29m.

The dividend is being stepped up by 2p to 12.5p via a final of 8.25p. A scrip issue on a one-for-five basis is also proposed and the directors anticipate maintaining the 1987-88 dividend on the enlarged capital.

Turnover for the year to March 31 pushed ahead from £21.73m to £26.88m. Turnover and pre-tax profits broke down as to UK £21.12m (£18.96m) and £3.89m (£2.92m) and US £5.76m (£2.78m) and £694,183 (£367,144) respectively.

After tax of £1.52m (£1.16m), minorities of £53,652 (£30,207) and extraordinary credits of £500,000 this time attributable profits emerged at £3.51m, compared with a previous £2.1m.

Earnings per 25p share rose from 34.93p to 50.14p.

During the year Vibroplant made further substantial investment in the UK bringing the total expenditure over the last three years to almost £20m.

A large proportion of expenditure had been committed to the group's fleet of general plant which had had an excellent year with demand particularly strong from the private house building and road resurfacing sectors.

The directors pointed out that in the US, Florida Hi-Lift had matured into a strong and profitable company and added that Georgia Hi-Lift had comfortably exceeded expectations in its first full year of trade and had established itself as the leader in what was a prosperous and expanding market.

In all, the directors said group prospects for the current year were encouraging. They said that in the UK the new year had started well and there was generally a feeling of greater optimism within the industry than there had been for some considerable time.

The recovery in levels of construction activity was broadly based and the company was well placed to take full advantage of this greater workload.

● comment

Further improvement in the UK construction industry lies behind Vibroplant's rapid profits growth. UK turnover was up by a modest 11 per cent, but the increase in utilisation rates on virtually fixed overheads took the pre-tax advance to 33 per cent—and *this in* spite of a near doubling of the interest charge to £1m. Construction, however, is a cyclical business—Vibroplant's profits were higher than this in real terms seven years ago—so the company is planning for long-term growth by diversifying into the US market. The overseas contribution is small but growing and should help the group overall to the 20 per cent increase in profits and earnings implied by the dividend forecast. That puts the shares, down 15p at 785p after their vertiginous climb from 335p on January 1, on a prospective p/e multiple of 13—undemanding, but the family is still sitting on 65 per cent of the stock.

Nobo sets sights on further expansion

Nobo, the office furniture and training aids supplier which came to the stock market last December, exceeded its forecasts with turnover of £9.57m and pre-tax profits of £1.98m for the year ended April 30 1987.

They compared with £7.54m and £1.54m for the previous year. The profit was stated before directors' additional remuneration, being the difference between that actually paid and that which would have been due under present arrangemnets.

Earnings were 13.6p (10.3p) and the dividend is the promised 3.25p net.

Mr R. K. Barr, chairman, said in the current year invoiced sales with maintained margins were running in lines with targets. A company was being formed in Holland to facilitate Nobo sales in Europe, the benefits of which should be seen in 1988-89.

The new factory at Eastbourne became operational this year. In view of continuing demand 1.2 acres of land immediately adjacent to one of the Eastbourne factories was to be developed.

Glen Abbey loss

Glen Abbey, the Irish property and investment company, increased its pre-tax deficit from I£479,000 to I£744,000 in 1986.

The restructuring of the company and its transformation from a textile manufacturer to its current area of activity was virtually completed in 1986, and Mr John Teeling, joint chairman said the outlook was promising.

A total of £531,000 (£487,000) of the pre-tax loss was attributable to discontinued operations. Loss per share before extraordinary items increased from 14.11p to 20.4p.

Markheath expands and confident

Increased profits for the year ended March 31 1987 were achieved by Markheath Securities, and the directors said they were confident for the future.

The financial and management support enjoyed through the association with the Adelaide Steamship Company should enable the group to maximise its earnings potential and asset base during the current year, they stated.

Early this year Adelaide subscribed cash for shares in Markheath, giving it over 49 per cent of the enlarged capital. Markheath purchased from Adelaide the interest in Coates Brothers comprising over 14 per cent and 25 per cent respectively of the ordinary and A ordinary capital.

That investment, the directors said, should produce significant returns in the future and there was an unrealised surplus on that holding of some £7.5m.

In 1986-87 Markheath made a pre-tax profit of £1.76m, against £1.44m in the prior 15 months. Earnings were 3.7p (3.68p) and the final dividend is 1.6p for a 2.4p net total (2.68p for the period).

Property activities have been increased to take advantage of the current strong market.

Anglo-Irish Bank calls for I£5m

By Hugh Carnegy in Dublin

Anglo-Irish Bank Corporation of Dublin is to raise I£5m (£4.52m) in a rights issue to fund the purchase of the mortgage loan book of the Irish arm of Investors in Industry, venture capital company.

The bank, formerly the City of Dublin Bank, is offering one-for-two at 55p which will bring the total number of ordinary shares in issue to 28.1m and issued capital to I£7m. Closing date in July 29.

The bank said 73.1 per cent of the issue had been taken-up by large shareholders, which were underwriting the balance.

The purchase of the loan book for I£4.5m from 3i, which is ending its Irish activities, would have a significant impact on future profits, the bank said. Last month 3i sold its other Irish investments to Development Capital Corporation of Dublin in exchange for a 10 per cent holding in DCC.

Anglo-Irish profits for the six months to March 31 were up 75 per cent to I£569,000 and full year results were expected to show similar growth. It plans development by acquisition in the UK where it own Industral Funding Trust.

Berry plans partial unitisation

By Nikki Tait

Berry Trust, £115m investment trust managed by GT and the target of a hotly-contested bid by Ensign Trust last summer, is taking defensive action with a partial unitisation scheme.

The board proposes a choice of units in up to three unit trusts or shares in a newly-created investment trust, in exchange for their existing holdings. One of the unit trusts will also be a new fund, and all four alternatives will be managed by GT.

Yesterday Mr Dennis Nicholson, chairman of Berry, denied that the decision was a response to specific agitation. However, he continued: "With a mixture of institutions seeking to maximise their gains, it was better to do this in our own time."

Berry's vulnerability dates back to July 1986 when Ensign Trust, an investment trust controlled and managed by the Merchant Navy Officers' Pension Fund, launched an £88m bid with a cash alternative offering 92 per cent of asset value.

The MNOPF and Ensign retained holdings of 15.1 and 9.86 per cent respectively in Berry, a further 7.27 per cent is held by Sun Life Assurance.

Yesterday. Mr Philip Henderson, ensign director, said that the MNOPF interests were supportive of the move though the decision on which option to take would depend on the various trusts' policies.

"We are very interested in the semi-quoted and unquoted market," he commented. The stake, he said, had been bought at an average price of about 250p.

GT said that the new investment trust would be run on adventurous, aggressive lines. Berry Trust's largest holding has traditionally been its stake in GT, but the fund announced last week that it had cut this from 12 per cent to 2 per cent.

Berry's net asset value is put at 363p. Yesterday the shares responded to the news with an 8p rise to 346p.

Next goes Dutch

Next, the department store and mail order group which recently won control of Combined English Stores, has bought 50 per cent of WVO (Netherlands), a clothing manufacturer which has been a major supplier to the group.

Total consideration payable is expected to be around £4.5m although a further £500,000 may be payable, dependent on future profits targets.

Logitek profits beat forecast

Logitek, microcomputers distributor, increased pre-tax profits to £1.19m in the year ended March 31. That was an improvement of 70 per cent on the previous year's £697,000 and ahead of the £1.05m forecast made last November at the time of the full listing.

The results reflected a strong performance across all divisions with turnover up by 75 per cent to £12.82m (£7.33m) and earnings per share showing a 72 per cent increase to 7.72p (4.49p).

The directors said the company's financial base was sound at year end with net cash balances. They added that current cash flow would assist Logitek in funding growth.

The company had expanded its dealer network which now comprised more than 600 independent computer dealers throughout the UK.

The corporate accounts division was involved in the government sector through the supply of turnkey systems. Customers include the DHSS, the Department of Education and Science and the Central Computer and Telecommunications Agency. Further growth was anticipated in this area.

In addition, the display terminals division achieved a number of OEM (Original Equipment Manufacturer) supply successes including opening accounts with British Telecom, British Olivetti and Apricot.

The company continued to experience demand throughout the year for its range of Altos computer systems, Wyse terminals and PCs, and Genicom printers. New product launches from Altos, Wyse and 3Com were expected to maintain the company's position.

The dividend is to be 1.3p—1.2p had been forecast.

SHARE STAKES

THE following changes in share stakes have been announced:

Firstland Oil & Gas—C. J. Smith sold 225,000 ordinary and now holds 687,875 (7.1 per cent).

Lister and Co—Mr. J. A. Kornberg, chairman, informed the company on June 29 that, over a period of time and in accordance with the terms of certain trusts of which he is a trustee, he ceased to have a beneficial interest in 45,618 ordinary. His beneficial interest is now 1,456,785 (8.85 per cent).

Sheraton Securities Intl.—On June 29 director H. D. Clarke jr. ceased to be interested in 500,000 ordinary at 115p and now holds 27,281 ordinary non-beneficially.

Wates City of London Properties — Director John Nettleton sold 25,000 ordinary at approximately 278p.

J. England—Following his retirement from the board, P. McHugh has sold his shareholding of 440,748 shares in the company which were placed with institutions.

MBS.—Director D. J. Downes sold 30,000 ordinary at an average price of 116p.

GT Management.—The following directors disposed of 80,000 ordinary, M. V. St Giles at 275p (0.16 per cent). He now holds 30,000 (0.06 per cent): R. J. Boyd 1m at 278p (2.06 per cent). He now holds 1.28m (2.64 per cent).

CML Microsystems.—On July 2, Mrs George Gurry (wife of chairman) and three of her children each sold 50,000 ordinary at 300p.

A. G. Stanley Holdings — Director W. H. Conroy sold 15,000 shares at 139p and now holds 30,000 shares.

UK COMPANY NEWS

Enlarged Carclo raises profit to over £5m mark

THE enlarged Carclo Engineering Group lifted its pre-tax profit from £3.85m to £5.08m in the year ended March 31 1987, and is raising the dividend from 15p to 18.75p net. The final is 14.35p.

During the year, the company acquired Bruntons (Musselburgh) and Jones Woodhead. Their contributions to a trading profit of £5.89m (£4.12m) were £359,000 and £557,000 respectively.

The card clothing business accounted for £1.84m (£1.91m), the existing wire business £1.5m (£1.17m) and general engineering £1.64m (£1.18m). In the previous year, discontinued business accounted for a loss of £130,000.

Mr J. W. Ewart, chairman, said in the first quarter of the current year the order intake compared favourably with last year in all divisions.

The financial position was satisfactory with total shareholders' funds up 55 per cent at £20.6m, bank overdrafts net of cash at £8.9m or 43 per cent of funds, term loans repayable over 10 years at £6.6m or 32 per cent, and with a current positive cash flow.

Turnover for the past year rose to £66.54m (£36.6m), of which Bruntons accounted for £6.03m and Woodhead for £22.5m.

Earnings worked through at 48.8p (39.2p).

To improve marketability, the 25p shares will be split into five of 5p each.

● comment

Having rationalised and restructured its business, Carclo has effectively changed its shape with the purchase of Bruntons and Woodhead, which now account for nearly half the group's turnover. All divisions did well, with the exception of the Dutch subsidiary, which faced start-up costs. The company says the existing management team at Woodhead had put in enough work to ensure a good contribution next time around but that Bruntons would take a little longer to make meaningful profits. It plans substantial capital investment in both, and is looking for wider margins and internal growth. Gearing is understandably high and although Carclo is seeking another acquisition—not necessarily in its existing fields of operation—this time it will be for shares. Market rumours of a rights issue were denied; and after all Carclo has its 11 per cent holding in Deritend Stamping which represents a substantial amount in cash. The City expects around £7½m next time, which on a share price up 25p to 728p, puts the company on a prospective p/e of around 13 a little light considering good results, well thought out acquisitions and able management.

Brown & Tawse profits dip

Brown & Tawse, the distributor of steel and pipeline products, was affected by the reduction in North Sea oil prices for its products in Scotland and pre-tax profits were reduced from £5.7m to £5.2m in the year ended March 31 though turnover rose from £102.91m to £107.58m.

The chairman, Mr S. Douglas Rae, said it had not been an easy year for distribution of tubes and steel with lower demand and too much capacity in the industry creating keenly competitive conditions.

Trading conditions had been slower to revive than was anticipated a year ago although there had been an improvement in activity during the final quarter.

Meanwhile the company would continue its strategy of expanding the product range and geographic cover and to reduce the importance of steel stockholding.

In implementing this strategy, there had been three acquisitions totalling £7.5m and since the end of the year Stauff had been acquired for £5.2m.

Operating profit for the year was £5.97m (£6.73m); interest payable was £760,000 (£1.01m) and tax charged £1.81m (£2.18m). Amortisation of revaluation reserve amounted to £81,000 (£81,000). Earnings per share came out at 13.4p (16.8p).

The final dividend remains the same as last year at 5p making the total 7.2p (same).

Securiguard forges ahead

Securiguard Group has produced a 62 per cent increase from £416,000 to £674,000 in pre-tax profits for the 28 weeks to May 10 1987 from a 33 per cent increase from £11.63m to £15.46m in turnover.

Shareholders, for the first time, get an interim dividend of 1.7p from earnings of 6.3p (3.8p). Last year's single payment was of 3.5p.

The directors said the security division continued to be the major contributor to group profit with an increasing demand for manned guarding services throughout the UK. They believed this division would continue to grow strongly in the foreseeable future.

The cleaning division had progressed well, with the National Health Service business expected to exceed anticipated profit levels in the second half.

Performance of City Messenger had been outstanding After only one year of operation it now supplied nearly 200 messengers to an ever increasing number of national and international companies in the City. Turnover and profits had considerably exceeded expectations, and company was confident of excellent results for this subsidiary for the full year.

The group's other services had developed strongly in the first half and the company expected healthy growth to continue for the full year. Securiguard would continue to strengthen and augment existing businesses, both through acquisition and the introduction of new, self-generated services. The directors were also thinking of expansion into the US.

Trading profit in the period rose from £480,000 to £674,000 and there were no exceptional costs this time (£44,000). Tax took £236,000 (£154,00) and there were no extraordinary charges (£89,000).

The company said that it intended to apply for a full listing in the near future. The 5p ordinary are currently quoted on the USM.

Small MSCC holders seek board seats

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

SMALLER SHAREHOLDERS in the Manchester Ship Canal Company are seeking two seats on the board to protect their interests as the asset value of the canal's industrial property interests increase.

The MSCC was taken over in February by Highams, which is privately owned by Mr John Whittaker, the Lancashire property developer. Highams sacked all shareholder directors and replaced them with its own nominees.

The shareholders' approach was made yesterday in a letter by Mr Donald Redford, former chairman of the MSCC, who became its president during the takeover battle to make way for Mr Nicholas Berry, a large shareholder both personally and through his company Harrap, the publisher.

Mr Redford wrote on behalf of the Smaller Shareholders' Protection Association, formed after Highams' victory. The association now has 625 members, who each paid £5. It is run by Mr Grahame Elliott, a Manchester solicitor who is one of the sacked directors.

Announcing plans in a letter to members, Mr Redford says that the association is going to act closely with a group of larger shareholders and institutions led by Mr Berry.

This group, which has about 25 per cent of the equity, has decided to stick together. One pension fund manager has told the others that if anyone wants to drop out, his fund will buy their shares.

The shares are ordinary ones, the same class as those held by the bulk of the smaller shareholders. Highams' holding is predominantly in preference shares. There are equal numbers of the two classes and they have equal voting rights, though the ordinary shares are much more valuable.

They have been trading recently at between £10 and £15 and even went to near £20 during May. This compares with an offer price of £6.25 during the bid, which valued the preference shares at £3.005.

Mr Redford draws attention to the Prime Minister's praise after the General Election for the Metro Centre, a retail hypermarket in Gateshead. He says this may foreshadow a sympathetic view towards a similar venture in the north-west.

A planning inquiry will be held in October into whether one should be built on MSCC land.

Robertson Research advances to £4.8m

Robertson Research, the international oil and minerals technical services group, raised pre-tax profits by 29.2 per cent to £4.82m for the year ended March 31, 1987.

The group, which obtained a listing in March 1984, made operating profits of £3.28m (£3.21m) with turnover slightly down at £21.01m (£21.57m) giving earnings per share of 12.1p (9.3p) including income from mineral investments and 9p (8.6p) without.

Tax took £1.7m (£1.45m). Minorities amounted to £41,000 (nil) and extraordinary debit £1.06m (nil).

The final dividend is 2p making 2.8p (2.5p) for the year.

● comment

The pre-tax profits level is probably not the best guide to Robertson's growth record — operating profits were flat even after a £300,000 contribution from ERC and £100,000 in eight months from Hydrotechnica. Profits on the sale of Greenwich shares were taken above the line, boosting the pre-tax figure, while the loss on the sale of a business was treated as an extraordinary debit. Robertson argues that it will be continuing to receive income from selling mineral investments which thereby makes the Greenwich sale a trading item; indeed it will make a further £1.15m from selling the remainder of its stake this year. Nevertheless, the lumpiness of such sales rather militates against the broad thrust of its strategy which is to improve earnings quality. Various acquisitions have diversified the profits base—petroleum consultancy as a source of revenue will fall from 68 per cent to 50 per cent this year and pre-tax profits (including the Greenwich sale) should push pre-tax profits up to £5.9m. With the shares up 8p yesterday to 193p, the prospective p/e looks about right at 13.

Textured Jersey setback

PRE-TAX profits of Textured Jersey tumbled from £1.11m to £711,000 in the year to April 30 1987 despite a slight increase from £17.48m to £18.78m in turnover.

At the half-year, when reporting reduced profits of £316,000 (£533,000) Mr Henry Knobil, chairman and managing director, told shareholders that the company had incurred significant increases in costs which it had not been possible to offset over an increased volume production.

Mr Knobil said yesterday that sales and profitability during May and June were appreciably better than for the same period last year. In view of the strength of the current order book, it was anticipated that company's performance would result in an improved level of profitability.

Tax took £249,000 (£433,000) leaving earnings per share to emerge at 11.91p (17.57p).

The total dividend is maintained at 6p with a final of 3.75p (same).

COMMODITIES AND AGRICULTURE

MacGregor warns of painful reform

BY BRIDGET BLOOM

THE "MASSIVE misuse of resources" enshrined in the European Community's agricultural policy can be "neither sustained nor justified" but its reform will be bound to cause difficulties and pain for very many of Britain's farmers over the next few years, Mr John MacGregor, the Minister of Agriculture, warned yesterday.

The minister, opening the Royal Agricultural Show, said that the alternative to reform would be "a disorderly descent into chaos." The problem of huge surpluses — where "about half the entire budget of the EC of some £12.5bn is swallowed up in the storage and disposal of food for which there is no remotely economic market" — had to be tackled on a national, EC and world-wide level.

Mr MacGregor said he believed most British farmers were realistic, knew the problems ahead, and often showed a high degree of entrepreneurial skill.

The Government was pointing the way to alternative uses for some land which would inevitably have to come out of production. These included schemes for alternative crops, including woodland, encouraging rural industries and tourism.

Government - inspired blueprints should not prevent farmers seeking their own solutions, however, particular to their own areas, Mr MacGregor said. The EC had begun to reform its price-support policy, though it was too early to tell what effect the most recent measures might have on farmers' incomes.

Last week, Mr Simon Gourlay, president of the National Farmers' Union, predicted a fall of at least 15 per cent this year, taking into account both last week's price cuts in the animal sector and last December's measures to control dairy production.

However, yesterday Mr MacGregor repeated his assertion that the effect of last week's package on its own would be broadly neutral for Britain's farmers. The overall effect of the two sets of measures could not be gauged until the size of the harvest and other factors became clear later in the year, he added.

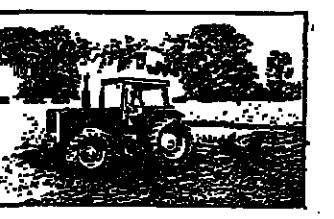
John McGregor . . . surplus problems must be tackled

Though little of Mr MacGregor's tough message was news to farmers, it was a hard hitting speech to deliver in the carnival atmosphere of the Royal, Britain's premier agricultural show, which yesterday enjoyed both record temperatures and a record attendance.

The show has some 180,000 sq metres of trade stands, expects more than 200,000 visitors by the time it closes on Thursday and covers a huge variety of events from last night's blessing in the main ring by the Archbishop of Canterbury to displays from Britain's £50bn food and drinks industry to the formal presentation and judging of a great range of livestock.

● The Agricultural Mortgage Corporation, which accounts for about a tenth of all lending to British farmers, yesterday announced pre-tax profits of £6.7m compared with last year's £5.1m. Completed loans were up by 40 per cent to £69.6m compared with the previous year's decrease of 40 per cent. According to Mr Henry Lambert, the chairman, this was principally because of AMC's competitive rates and the fact that many farmers were restructuring their finances under current pressures to increase efficiency.

Showing the way to success



FARMER'S VIEWPOINT

By John Cherrington

FARMERS ARE often accused of being ruthless exploiters of the countryside, leaving no hedge, pond or marsh surviving in the relentless quest for profit. Their public relations sense is abysmal—they put their businesses first and pay little attention to those who see the countryside as anything more than their private workshop.

Like a ship's captain in the middle of the ocean the farmer is master of his own fate. The success or otherwise of his farm is entirely in his hands, he is making decisions all through the day to meet the changing circumstances of the weather, animal health and the market.

There is another side to his nature however. When dealing with his fellow farmers he presents an entirely different picture from that of the hard-headed individualist. Most farmers are in direct competition with each other in the sense that each and every one of them is producing much the same products for the same market. This market can easily become over-supplied, perhaps because an individual has worked out a new way of doubling his production.

Faced with such a situation the average manufacturer will do his best to keep his good news to himself and protect his processes with patents, security guards, high walls and every other measure which will stop others from copying him and spoiling his market.

Not so a farmer. As soon as he has developed some new process to make two blades of grass grow where one grew before he will advertise the fact to all and sundry and invite his neighbours to demonstrations of his success. Before very long the new idea will take a firm hold and, almost inevitably, a glutted market will result.

In the early years of the 19th century Lord Coke held annual sheep shearings at Holkham in Norfolk where he demonstrated the latest techniques imported from the continent. From these events stemmed the British show societies of which the Royal Show, open this week on its permanent site, is the most important.

It is not a peculiarly British phenomenon. I have been to shows in most developed, and some underdeveloped, countries where the same principles apply. The general purpose is husbandry improvement and the most popular means is livestock competitions. Until quite recently the main criterion for judging the value of any animal was how its looks fitted the ideals of the day. There was no reference to fat and lean content, food value or anything of that sort, it was simply a beauty contest.

There was no harm in that at all—if you are going to spend your life looking after animals you might as well be surrounded by good-looking ones. The trouble is that the real economic value of animals is difficult to determine from the outside. Farmers have come to realise that and milk records, carcase quality, food conversion and so on are the important criteria nowadays.

This is not yet the case at the big shows, however, where no one, I believe, takes the livestock showings very seriously — they are usually tucked away in corners of the show ground. It would be interesting to know just how many of the visitors to the Royal spend time looking at this sector.

Most of the space is taken up with the trade stands, the rents for which keep the show going. Some manufacturers, particularly of tractors, talked of dropping out mainly because sales are best negotiated on the farm. The stands are largely part of a public relations exercise where hospitality is dispensed in the hope that it will be reflected in firm orders from the grass roots.

Much more valuable from the information point of view are the specialist demonstrations held at the Royal and in the main farming districts. At Newbury last week there was a day for South Sheep 87. Several such shows are held every year under the auspices of the National Sheep Association in various parts of the country. I enjoyed a pleasant day looking at a number of sheep of different breeds and crosses, meeting many farmers and talking about sheep—a much more interesting animal than it is usually given credit for.

There are also well-attended specialist demonstrations for arable crops, partly sponsored by the chemical companies. There is no doubt that these have greatly assisted in the spread of knowledge of how to produce and harvest the increasing weight of food now being grown.

A real criticism of the show system, however, is that there is too mch emphasis on production and not enough on disposal. This is not to belittle the efforts of Food from Britain, the Milk Marketing Board and other bodies which tell us what the public wishes to buy. On the whole, farmers do try to follow these guidelines, but once the food has left the farm it is out of their control.

My own theory of marketing is that you should have a strategy for producing what you believe the consumer wants, but that you also need some control of output so that the market is not flooded. It cannot be too strongly underlined that what determines the final price is the supply. Every Opec minister recognises this and so should everyone else supplying any market. At present farmers in most of the developed world are cushioned from the consequences of surplus production by subsidies, but for how long?

US clarifies coffee quota position

THE US could accept a formula which gave Brazil an unchanged coffee export quota under the International Coffee Agreement, provided the quotas are set by a dynamic formula reflecting supply and demand, according to Mr John Rosenbaum, chief US coffee negotiator, Reuter reports from Washington.

"We could live with a formula giving Brazil an unchanged quota," said Mr Rosenbaum, adding that the quota would have to be arrived at by objective means rather than political negotiation as in the past.

Mr Rosenbaum, an assistant US trade representative, said he was "relatively optimistic" that quotas could be reintroduced at the September meeting of the International Coffee Council if producers arrived in London prepared to negotiate. Meanwhile, New Zealand has notified the United Nations in New York that it is withdrawing from the Agreement.

The decision to pull out was made by the New Zealand Government following discussions with the domestic coffee trade. After consulting with the trade, the Government decided there was no longer any need to belong, they said. More specific reasons for the decision to withdraw were not available.

Diamond sales close to record

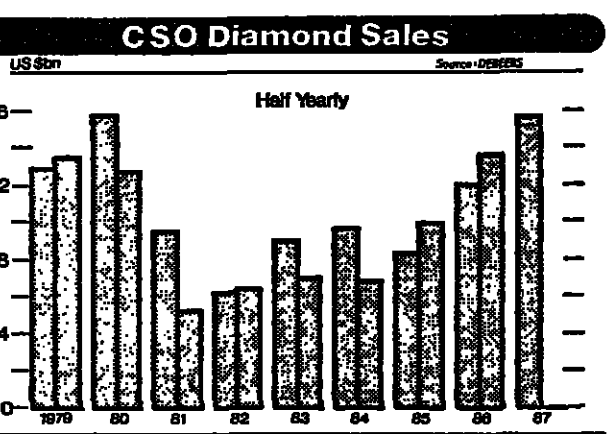
BY STEFAN WAGSTYL, MINING CORRESPONDENT

SALES OF rough (uncut) diamonds by De Beers, the South African-owned company which controls 80 per cent of the market, totalled $1.56bn in the first half of 1987.

That was just short of the record of $1.567bn achieved in the first six months of 1980, at the height of an inflation-led boom in commodities.

Sales in the first half of 1987 were 28 per cent higher than in the same period last year, confirming that the recovery in the diamond market from the 1982-85 recession is continuing. Sales in 1986 were 41 per cent up on 1985.

In South African currency terms, sales were 19 per cent higher at R3.214bn.



Diamond traders confidently expect that the Central Selling Organisation, De Beers' London-based marketing company, will raise prices by an average of 7-10 per cent in the autumn. Such a move would follow two increases of 7.5 per cent and 7 per cent in 1986, which were the first rises in three years.

The CSO yesterday said it would wait until the end of the summer holidays (in the northern hemisphere) and study demand in the autumn before deciding whether or not to raise prices. Mr Michael Grantham, CSO director of sales, said the group had a duty to make sure that producing countries (from which it buys stones) got a fair return on their resources. He was "cautiously optimistic" about the outlook for the market.

Demand was particularly strong in Japan, buoyed by the strength of the yen, said Mr Grantham. Imports of polished diamonds for the first five months of the year were 62 per cent higher in US dollar terms than for the same period in 1986, and 32 per cent higher in yen.

The CSO said that overall retail sales of diamonds were still growing, but at a slower rate than in 1986. Industry stocks had increased but were being financed by internal funds rather than bank borrowings. There had been no undue increase in the levels of bank borrowings in cutting centres, said the CSO.

The CSO is monitoring industry stocks and borrowings much more closely than before 1980, to try to make sure that there is no repetition of the combination of stockbuilding and borrowing which first helped fuel a speculative price rise and afterwards exacerbated the impact of recession.

Disease may wipe out Crete's sultana industry

FARMERS ON Crete, the southern Greek island famed for its succulent honey-coloured sultanas, say the encroaching phylloxera vine disease may soon force them to abandon grape growing, reports AP-Dow Jones.

The island's growers produce about 70,000 tonnes of sultanas a year—more than 80 per cent of total Greek output—from vineyards that cover thousands of hectares of rolling hillside in central Crete.

They sell almost all the crop to Greece's EC partners, which between them import more than 170,000 tonnes of sultanas every year.

Cretan production has been in decline since 1983 and agronomists predict that as the disease takes hold the crop will shrink by 50 per cent over the next five years.

"Phylloxera hasn't reached us yet, but it will. Then you have to pull out your vines and replant with a resistant American variety," said Mr Antonis Psilakis, 54, a sultana farmer at Knossos, three miles south of Heraklion, the island's biggest town.

"It takes five years for the new vines to start producing and meanwhile how do you live?" said Mr Psilakis. "Myself, I'll probably retire."

Around 40,000 sultana farmers, representing more than 15 per cent of the labour force on Crete, are pressing the Government for grants to cover replanting costs and the time-lag in renewing production.

Phylloxera, which dries the roots of the vine and reduces its yield, swept across mainland Greece 20 years ago, but strict harbour and airport controls kept the disease out of Crete until the late 1970s.

"Phylloxera is now advancing rapidly. It will eventually affect the entire 60,000-acre (24,000-hectare) sultana-growing region and could destroy every vine on the island by 1997," said Mr Nikos Vardakis, a researcher at the Heraklion viticulture institute.

An average grower will have to pay around 400,000 drachmas ($3,000) to replant his vineyard, a sum roughly equivalent to a Cretan farmer's annual earnings.

A senior Agriculture Ministry official said the Government hoped to receive EC funds to keep sultana growers afloat.

"Greece is the only sultana producer in the Community, and we're working on a plan to raise Community cash for the growers to get funds spread over four years," he said.

LONDON MARKETS

COPPER PRICES registered further gains on the London Metal Exchange yesterday as steady US demand continued to provide a bullish background. With an LME warehouse stocks fall last week providing further upward impetus the three months Grade A position touched £1,045 a tonne at one stage before being trimmed back by profit-taking sparked off by sterling's rally against the dollar. By the close the three month's price was showing a net gain of £9.50 at £1,035 a tonne while cash metal was £10 up on balance at £1,053 a tonne. A £7.50 rise to £539 a tonne in cash zinc mainly reflected the continuing strike at Cominco's Kimberly / Trail facilities, dealers said. But there was also nervousness ahead of the expiry at the end of this month of the labour contract at Jersey Miniere of the US. Talk that Brazil may cut export prices encouraged a weaker tone on the London futures market, where the September position closed £16 lower at £1,246 a tonne. On the spot oil market talk of a maintenance related cut in Brent blend output from the Sullum Voe loading terminal helped to lift the July price by 10 cents to $19.4¼ a barrel.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial (close p.m.) $ per tonne	+ or —	High/Low
Cash	—	—	—
3 months	1610-15	+34.5	1620/1594

Official closing (am): Cash —— (——), three months 1,595-7 (1,578-83), settlement —— (——). Final Kerb close: 1,613-14. Ring Turnover: 1,825 tonnes.

99.5% purity	£ per tonne		
Cash	978.9	+21	968
3 months	936-7	+16	936/927

Official closing (am): Cash 967-8 (954-5), three months 929-30 (918-9), settlement 968 (955). Final Kerb close: 936-7. Ring Turnover: 24,150 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	1052.5-3.5	+10	1068/1064
3 months	1034-4.5	+9.5	1046/1034

Official closing (am): Cash 1,064-5 (1,039-40), three months 1,043-4 (1,025-6), settlement 1,065 (1,040). Final Kerb close: 1,035-6.

Standard			
Cash	1046-7	+10	—
3 months	1023-6	+8.5	—

Official closing (am): Cash 1,053-6 (1,035-7), three months 1,033-6 (1,023-6), settlement 1,056 (1,037). US Producer prices: 75.5-80 cents per pound. Total Ring Turnover: 39,500 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	430-2	—4	—
3 months	412.5-3	+4.75	425/411

Official closing (am): Cash 438-9 (432-2.5), three months 418-19 (411-12), settlement 439 (432.50). Final Kerb close: 413-14. Ring Turnover: 11,025 tonnes. US Spot: 38-40 cents a pound.

NICKEL

	Unofficial close (p.m.) £per tonne	+ or —	High/Low
Cash	2798-2806	+26.5	2810/2698
3 months	2834-6	+32.5	2840/2785

Official closing (am): Cash 2,805-15 (2,773-5), three months 2,840-5 (2,808-15), settlement 2,815 (2,775). Final Kerb close: 2,825-35). Ring Turnover: 1,298 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	538-40	+7.5	—
3 months	524-5	+9.5	529/515

Official closing (am): Cash 544-5 (527-8), three months 528-9 (510.5-11.5), settlement 545 (528). Final Kerb close: 525-6. Ring Turnover: 13,100 tonnes. US Prime Western: 47.5-48.5 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Puts Nov.
Aluminium 99.7%	—	—	—
	—	—	—
	—	—	—

	Strike Price	Calls Sept.	Calls Nov.	Puts Sept.	Puts Nov.
Aluminium 99.5%	1,475	—	—	23	64
	1,500	66	49	33½	81½
	1,525	47½	38½	—	—
Copper (Grade A)	1,675	—	—	58½	95½
	1,700	46	57½	72	110½
	1,725	35½	49½	—	—
Copper (Grade A) £/tonne	1,000	—	—	14	26
	1,025	37	40	22½	39
	1,050	24½	29	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.49 (16.48) ringgit per kg. Up 0.01.

GOLD

GOLD BULLION (fine ounce)	July 3	
Close	$443¾-443¼	(£274-274½)
Opening	$442¼-442¾	(£274½-275)
M'n'g fix	$443.10	(£274.625)
Aft'n'n fix	$443.25	(£274.231)
Day's high	$443¼-444¾	—
Day's low	$442-442½	—

GOLD AND PLATINUM COINS		
Am Eagle	$456-460	(£281¼-284¼)
Mapleleaf	$455½-458½	(£283½-283¼)
Kr'g'r'nd	$442-445	(£273-275)
½ Krug	$232-233	(£143¼-144)
¼ Krug	$116¼-117¼	(£71¾-72½)
Angel	$452½-455½	(£278½-281½)
1/10 Angel	$43¾-48¾	(£27-30¼)
New Sov	$104½-105½	(£64½-65¼)
Old Sov	$104½-106	(£64½-64½)
Noble Plat	$569-579	(£351¼-357¾)

INDICES

REUTERS

July 3	July 2	M'th ago	Year ago
1640.5	1636.4	1607.6	1437.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	July 2	July 1	M'th ago	Year ago
Spot	128.49	127.04	—	124.85
Fut	126.08	125.46	—	112.57

(Base: December 31 1974=100)

MAIN PRICE CHANGES

	July 5 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1540/960	+47.5	$1560/585
Copper			
Cash Grade A	£1053	+10.0	£946.5
3 months	£1034.25	+9.50	£926.5
Gold Troy oz	$443	—5.90	$452
Lead Cash	£431	—4	£387
3 months	£412.75	—4.75	£363.25
Nickel			
Free Mkt.	208/225c	+5	198/218c
Palladium oz	$140.75	—8.25	$140.25
Platinum oz	$553.00	—4.5	$574.25
Quicksilver†	$235/245		$260/270
Silver troy oz	447.15p	—1.75	469.25p
3 months	457.35p	—2.05	479.55p
Tin			
free Mkt.	£4118/140	—20	£4186/190
Tungsten	$56.21	—1.95	$58.16
Wolfram 22.9lb	$48/55		$48/55
Zinc	£539	+7.50	£519.5
3 months	£524.5	+9.5	£514.5
producers	$860		$830
OILS			
Coconut (Phil)	$505x	+5.0	$495
Palm Malayan	$335v		$340
Seeds			
Copra (Phil)	$325y		$350
Soyabean (U.S.)	$149.5		$155
GRAINS			
Barley Fut. Nov.	£99.25	—0.35	£97.90
Maize	‡		£150.50
Wheat Fut. Sept	£99.20	+0.20	£99.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1330.5	+4.0	£1230.5
Coffee Ft. Sept	£1246	—16.0	£1341
Cotton A Ind.*	81.40c		78.90c
Gas Oil Aug.	$162.75	+1.00	$154.25
Rubber (kilo)	70.00p	+0.25	64.25p
Sugar (raw)	$171.8		$168.4
Wooltops 64s	477p kilo		489p kilo

‡ Unquoted. † Per 75 lb flask. c Cents a pound. * Cotton outlook. v July. z July-Aug. x Aug-Sept. y Aug.

SILVER

Silver was fixed 1.75p an ounce lower for spot delivery in the London bullion market yesterday at 447.15p. US cent equivalents were: Spot 720.25c, down 3.85c; three-month 732.65c, down 4.2c; six-month 745.65c, down 4c; and 12-month 772.25c, down 5.2c. The metal opened at 442-444p (712-715c) and closed at 449-450p (724-727c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	447.15p	—1.75	726.5c	—2.5
3 months	457.35p	—2.05	738.5c	+5.5
6 months	467.55p	—1.85	—	—
12 months	487.75p	—2.85	—	—

LME—Turnover: Nil (1) lots of 10,000 ounces.

Final Kerb close: 744-7c.

COFFEE

London Robusta once again experienced a thoroughly dull and quiet day, reports Drexel Burnham Lambert. The morning only managing a £5 range for September position with volume of 362 lots. However, weakness from New York pushed values lower to test support levels, finding some follow-through with late long liquidation and light selling as short term averages crossed over.

COFFEE	Yesterday close	+ or —	Business done
July	1210-1215	—12.0	1222-1210
Sept.	1245-1247	—16.0	1260-1245
Nov.	1270-1271	—17.5	1288-1270
Jan	1290-1298	—18.5	1310-1299
Mar.	1310-1330	—10.0	1330-1328
May	1330-1350	—10.0	1350-1348
July	1350-1380	—0.5	1370

Sales: 2,002 (127) lots of 40 tonnes.

ICO indicator prices (US cents per pound) for July 2: Comp. daily 1979 97.89 (98.29); 15-day average 98.85 (99.34).

COCOA

Sales: 4,368 (4,107) lots of 10 tonnes.

	Yesterday's close £ per tonne	+ or —	Business done
July	1356-1367	+11.0	1368-1351
Sept.	1330-1331	+ 4.0	1335-1324
Dec.	1351-1352	—	1355-1345
March	1367-1368	+ 1.0	1378-1364
May	1389-1384	+ 0.5	1387-1386
July	1400-1401	+ 2.0	1403-1398
Sept.	1414-1415	+ 1.0	1417-1416

ICCO indicator prices (SDRs per tonne). Daily price for July 6 1,651.94 (1,641.54); 10-day average for July 7 1,624.65 (1,615-56).

FREIGHT FUTURES

The market opened firmer with follow through buying on reports that the trend was still towards firmer rates in the physical market for the US Gulf/Continent grain route. The spot BFI was announced higher again by 9.5 to a level of 893. The market continued to move higher during the day aided by some trade buying meeting limited resistance to close on a very strong note, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo July 6			
July	903/904	907/880	876/880
Oct.	1000/1003	1007/985	981
Jan.	995/1005	1010/980	980
Apr.	1000/1010	1010/1000	1000
July	930/950	—	720/900
Oct.	—	—	850/950
Jan.	—	—	870/900
April	—	—	1050/1100
BFI.	893	—	—

Turnover: 736 (same).

GRAINS

Old crop wheat saw early consumer buying absorbed by keen trade selling and values collapsed to trade and close £2 from morning highs. New crop wheat after early commission house selling steadied on shipper support while barley struggled on an almost nil trade, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	121.60	—1.65	—	—
Sep.	99.20	+0.20	96.25	—0.25
Nov.	101.35	+0.10	99.25	—0.35
Jan.	104.20	+0.10	102.25	—0.15
Mar.	106.60	+0.15	104.45	—0.20
May	109.30	+0.10	105.90	—1.20
July	111.45	+0.10	—	—

Business done—Wheat: July 123.50-1.50, Sept 99.20-9.00, Nov 101.35-1.10, Jan 104.20-3.95, March 106.60 only, May 109.30 only, July 111.45-1.35. Sales: 47 lots of 100 tonnes. Barley: Sept 96.40-6.25, Nov 99.55-9.25, Jan 102.35-2.25, March 104.60-4.45, May 106.05-5.90. Sales: 1 lot of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: July 93.75, Aug 92.75, Sept 92.00. US No 2 Soft Red Winter: July 87.50, Aug 88.25, Sept 89.75. French 11½-12 per cent: 2nd-half July 121.00. English feed, fob: Sept 100.25-100.75, Oct/Dec 104.00-104.50 buyer/sellers. Maize: US No 3 Yellow/French transhipment East Coast: July 160.00. Rest unquoted.

HGCA — Locational ex-farm spot prices: Feed Wheat: E. Midlands 124.20. The UK monetary coefficient for the week beginning Monday July 13 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

POTATOES

The vagaries of the weather continued to influence sentiment on futures today, reports Coley and Harper. The market opened £5.00 up which immediately hit stop-loss buying resulting in rapid gains of another £5.00 by mid-day. A forecast of prolonged settled conditions plus rumours of some stress developing in the crop already kept sellers reserved. The afternoon saw gains of another £3.00 before profit-taking on close trimmed values £1.40. Tone remained steady.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	103.00	94.30	108.0-98.0
Feb.	112.50	104.00	
Apr.	146.40	135.20	147.8-140.0
May	159.00	146.80	159.0-154.0

Sales: 1,390 (1,394) lots of 5 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.40-17.45*	+0.025
Brent Blend	19.45-19.50	+0.10
W.T.I. (1pm est)	20.80-20.85*	+0.225
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	192-195	—
Gas Oil	161-163	+3
Heavy fuel Oil	107-109	+2
Naphtha	170-173	—

* August.

Petroleum Argus estimates

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
August	130.0-130.0	—1.25	—
October	127.5-125.0	—1.60	128.0
Dec	130.0-130.8	—1.05	128.0-127.0
Feb	130.0-130.8	—0.85	—
April	130.5-132.0	—1.05	—
June	128.0-131.8	+0.50	—
August	128.0-137.0	—0.75	—

Sales: 70 (565) lots of 20 tonnes.

TEA

There were 31,669 packages on offer including 2,800 offshore, reports the Tea Brokers Association. A strong demand prevailed. The few Assams on offer, together with selected Bangladesh teas, sold readily at firm to dearer rates. Bright liquoring East Africans met good competition and were often 5 to 10p dearer though dusts were irregular, while mediums were a strong feature and frequently put on 5 to 12p. Plain Central Africans ruled firm but coloury sorts came in for much more inquiry to close 5 to 10p higher, sometimes more. Offshore teas met strong demand at generally dearer rates. Quotations: quality 160 (155); medium 110 (103); low medium 58 (50).

SUGAR

LONDON DAILY PRICE—Raw sugar $171.80 (£106.80), down $0.20 (down £0.20) a tone for July/August delivery. White sugar $181.20 down $0.40.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Aug	152.8-153.0	151.6-152.8	152.6-151.6
Oct	156.0-156.4	155.4-155.8	158.4-154.8
Dec	160.0-161.0	158.4-159.6	—
Mar	165.2-165.8	164.8-165.0	166.2-164.4
May	168.4-169.2	168.4-168.8	—
Aug	172.8-173.2	171.6-172.0	—
Oct	175.8-176.8	174.4-174.8	—

Sales: 1,103 (459) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £211.00 (£214.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 1. Daily price 6.44 (6.38); 15-day average 6.48 (same).

PARIS—(FFr per tonne): Aug 1115-1118; Oct 1146-1148; Dec 1167-1172; March 1215-1217; May 1242-1252; Aug 1278-1294.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
July	161.50	+1.50	162.00-60.50
Aug	162.75	+1.00	163.50-61.75
Sept	164.25		165.75-64.25
Oct	167.00		168.27-67.50

Turnover: 3,310 (971) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened steadier, met little interest at higher levels, closing quiet and uncertain, reports Lewis and Peat. Closing prices buyers): Spot 70.00p (69.75p). Aug 69.00p (same). Sept 68.75p (same). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 was 261 (258.5); and for SMR 20 223 (220.5).

COTTON

LIVERPOOL—Spot and shipment sales for the week ended July 3 amounted to 313 tonnes, against 308 tonnes in the previous week. Fair operations occurred. Dealings centred mainly on South American and African varieties.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets: GB—Cattle 97.56p per kg lw (+0.06); GB—Sheep 186.55p per kg est dcw (+17.06); GB—Pigs 72.34p per kg lw (—3.82).

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Change during week ended last Friday)

(tonnes)

Aluminium		
high grade	—325 to	1,150
standard	—2,900 to	87,875
Copper	—2,600 to	104,025
Lead	—150 to	21,150
Nickel	+330 to	8,634
Tin	—210 to	26,615
Zinc	+175 to	28,250
	(ounces)	
Silver	unchanged at	22,380,000

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
July	71.80	70.50	—	—
August	71.80	70.40	—	—
Sept	71.75	70.30	72.00	70.75
Dec	70.95	69.50	70.75	70.00
Jan	70.95	69.50	—	—
Feb	—	—	—	—
March	70.95	69.50	—	—
April	—	—	—	—
May	70.95	69.50	—	—
July	70.95	69.50	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	20.77	20.00	20.18	19.86
Sept	20.39	20.25	20.41	20.18
Dec	20.40	20.30	20.44	20.21
March	20.52	20.48	20.55	20.41
May	20.72	20.68	20.75	20.60
July	21.00	21.05	21.05	20.83
Sept	21.23	21.25	21.15	21.03
Dec	21.52	21.54	—	—

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	100.17	103.60	104.25	—
Sept	99.99	104.67	104.75	99.50
Dec	102.57	107.25	107.30	102.25
March	105.21	110.13	110.00	105.00
May	108.00	111.78	111.00	108.00
July	110.00	113.66	113.00	110.00
Sept	111.51	114.65	112.00	111.01
Dec	114.00	117.40	114.00	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
July	75.80	74.95	76.10	75.40
August	75.35	74.35	—	—
Sept	74.85	73.85	74.90	74.30
Dec	74.05	72.90	74.15	73.50
Jan	73.90	72.60	—	—
March	73.20	72.05	73.30	72.80
May	72.75	71.55	73.00	72.40
July	72.55	71.30	72.60	72.60
Sept	72.45	71.15	—	—
Dec	72.55	71.25	72.60	72.25
Jan	72.60	71.30	—	—
March	72.70	71.40	—	—
May	72.85	71.55	—	—

COTTON 50,000 lb, cents/lb

	Latest	Prev	High	Low
July	76.85	76.75	77.00	76.15
Oct	72.50	72.98	72.75	71.90
Dec	71.46	71.81	71.57	70.80
March	72.01	72.25	72.20	71.50
May	72.60	72.38	72.80	72.10
July	—	72.58	—	—
Oct	67.25	66.75	67.00	66.75

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
August	20.89	20.61	20.93	20.76
Sept	20.49	20.27	20.52	20.42
Oct	20.32	20.14	20.34	20.24
Nov	20.21	20.09	20.28	20.19
Dec	20.16	20.05	20.22	20.18
Jan	20.10	20.02	20.18	20.11
Feb	20.09	20.00	20.14	20.09
March	20.07	19.96	20.13	20.07
April	—	19.97	20.10	20.07

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
July	448.0	446.3	—	—
August	450.3	448.8	450.8	444.5
Sept	452.8	451.4	447.8	447.8
Oct	455.4	454.0	454.0	448.8
Dec	460.6	459.2	461.1	454.0
Feb	466.0	464.7	466.1	459.0
April	471.3	470.1	466.0	466.0
May	—	—	—	—
June	—	447.8	—	—
August	482.5	481.4	482.0	477.5
Sept	476.8	—	471.0	471.0
Oct	488.4	487.4	484.0	482.5
Dec	494.5	493.5	488.5	487.5
Feb	500.7	499.7	494.5	494.5

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
August	54.30	53.79	54.40	54.10
Sept	54.85	54.54	55.10	54.75
Oct	55.80	55.46	55.85	55.88
Nov	56.30	56.16	56.60	56.30
Dec	57.05	56.86	57.40	57.00
Jan	—	—	—	—
Feb	—	—	—	—
March	56.10	55.85	56.10	56.10

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	132.20	130.25	132.20	131.20
Sept	126.70	125.70	126.90	125.75
Nov	122.25	121.10	122.25	121.10
Jan	120.45	120.25	120.45	120.25
March	120.85	120.45	120.50	120.40
May	120.60	120.35	—	—
July	120.60	120.35	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
July	562.2	559.8	565.0	564.0
August	—	561.6	—	—
Sept	—	—	—	—
Oct	567.7	565.8	573.0	567.5
Jan	576.2	573.3	580.0	565.5
Feb	—	—	—	—
April	582.2	580.3	574.5	572.0
July	589.7	587.8	—	—
Oct	596.7	594.8	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
July	757.0	740.7	760.0	721.0
August	760.2	744.2	760.0	760.0
Sept	765.6	748.8	769.0	727.0
Dec	780.2	764.0	784.0	739.0
Jan	786.0	768.7	—	—
March	796.2	778.7	793.0	780.0
April	—	—	—	—
May	805.8	789.0	—	—
July	816.1	799.5	777.0	777.0
Sept	826.6	810.0	796.0	788.0
Dec	—	—	—	—
Jan	849.9	832.3	—	—
April	—	—	—	—
May	872.1	855.5	—	—

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
Sept	6.90	6.78	6.99	6.80
Oct	6.98	6.86	6.98	6.91
Jan	7.17	7.14	—	—
March	7.40	7.37	7.41	7.36
May	7.58	7.52	7.60	7.52
July	7.71	7.63	7.68	7.66
Oct	7.88	7.83	7.82	7.82

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
August	63.95	63.20	63.92	63.40
Oct	62.15	61.60	62.20	61.70
Dec	63.50	63.17	63.55	63.12
Feb	64.22	64.20	64.50	64.05
April	66.05	65.15	66.25	64.80
June	64.50	—	64.70	64.20

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
July	60.57	60.10	61.37	60.25
August	56.10	55.95	56.80	55.97
Oct	47.12	47.45	48.10	47.10
Dec	46.95	47.32	47.90	46.82
Feb	46.20	45.77	46.85	45.72
April	42.10	41.95	42.35	42.10
June	43.55	—	43.70	43.45
July	43.55	43.15	43.80	43.30
August	41.45	41.40	41.45	—

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	Prev	High	Low
July	172.4	173.6	173.4	170.6
Sept	177.4	180.2	179.2	176.0
Dec	183.2	185.6	184.4	180.6
March	191.2	193.6	192.0	189.0
May	196.0	198.4	196.4	194.2
July	197.0	199.5	198.0	196.0
Sept	195.0	196.4	195.0	195.0

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	78.77	78.97	78.97	77.70
August	74.36	73.32	75.32	74.20
Feb	61.42	61.77	62.85	61.35
March	61.20	61.32	62.30	61.00
May	61.20	61.65	62.50	61.00

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
July	541.4	536.6	[illegible]	531.0
August	544.6	541.0	546.0	535.0
Sept	543.6	541.2	544.0	533.4
Nov	548.4	548.4	549.0	538.4
Jan	557.6	558.6	558.0	547.4
March	566.0	565.0	568.0	557.0
May	573.0	572.0	573.0	563.4
July	574.0	573.0	574.0	567.0
August	569.0	568.0	569.0	565.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	171.5	167.8	171.5	166.5
August	167.3	164.8	167.5	163.5
Sept	165.6	163.2	165.7	161.6
Oct	163.7	162.4	163.9	160.5
Dec	164.7	162.7	165.0	160.5
Jan	166.0	164.2	166.0	162.4
March	169.0	167.0	169.0	163.0
May	168.5	166.0	168.0	168.0
July	167.5	167.0	167.5	166.0
August	167.7	167.5	167.5	166.9

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	16.75	16.77	16.75	16.43
August	16.91	16.92	16.92	16.65
Sept	17.10	17.05	17.10	16.85
Oct	17.28	17.30	17.28	17.05
Dec	17.57	17.71	17.84	17.38
Jan	17.70	17.70	17.80	17.55
March	18.02	18.00	18.02	17.88
May	18.24	18.20	18.24	18.24
July	18.50	18.50	18.50	18.35

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
July	268.8	263.4	270.0	263.0
Sept	275.2	270.6	276.4	270.4
Dec	285.0	280.0	285.0	279.4
March	287.0	283.0	287.0	282.4
May	279.4	276.6	280.0	275.4
July	267.4	266.0	268.0	266.0

SPOT PRICES: Chicago loose lard cents per pound. Handy and Harman silver bullion 732.50 (737.50) cents per troy ounce. New York tin 307.00-311.00 (307.00-312.00) cents per pound.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar volatile, pound firm

THE DOLLAR showed little change, after a day of volatile trading within a narrow range. It was underpinned by renewed Japanese confidence in US assets, and by indications that the US trade deficit with Japan may be shrinking.

On the other hand doubts about recent US export performance, and suggestions the Federal Reserve may be about to ease monetary policy, prevented any strong advance.

News last Friday that the Japanese trade surplus in May had fallen increased hopes the May US trade deficit, to be published on July 15, will fall from the April shortfall of $13.3bn, but dealers noted West Germany's payments surplus in May rose to DM 3.67bn from DM 3.4bn in April.

This led to a slight strengthening of the dollar against the yen, but no change against the D-Mark.

Mr Yasuhiro Nakasone, Japanese Prime Minister, said he expects the yen to continue to weaken. Yesterday's rise by the dollar above Y149 was the highest level since March.

The market will look for any indication of change in US monetary policy, following today's Federal Open Market Committee meeting and will also study Friday's release of the minutes of the previous FOMC meeting.

The dollar rose to Y149.10 from Y148.80 and to SFr1.5325 from SFr1.5300, but was unchanged at DM1.8400 and FFr6.1275.

On Bank of England figures the dollar's index rose to 103.1 from 102.8.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. June average 1.6289. Exchange rate index rose to 72.8 from 72.5, compared with 68.9 six months ago.

Sterling was strong, rising 95 points to $1.6190-1.6200, and rising against the D-Mark, to close at the same level as on last month's general election day.

Unwinding of long positions in the pound, in expectation of a Conservative victory in the election, has pushed the pound lower in recent weeks, but this appears to have run its course.

Political stability, a favourable view of the UK economy, and relatively high London interest rates, are again providing a strong background for sterling.

The pound rose to DM 2.98 from DM 9625; to FFr 9.9225 from FFr 9.8650; to SFr 2.4825 from SFr 2.4625; and to Y241.50 from Y239.50.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7689. June average 1.8186. Exchange rate index 146.6 against 145.6 six months ago.

The D-Mark lost a little ground to the dollar in quiet Frankfurt trading, dominated by technical movements towards chart resistance points. Dealers suggested a move up to DM 1.85 is possible by the end of the week, but were divided on whether central banks would intervene if the dollar became any stronger.

The dollar closed at DM 1.8405, compared with DM 1.8385 on Friday. The Bundesbank did not intervene at the Frankfurt fixing when the dollar rose to DM 1.8419 from DM 1.8372.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. June average 144.52. Exchange rate index 214.8 against 208.4 six months ago.

The yen weakened against the dollar in Tokyo yesterday, leading to suggestions the US currency could test Y150 some time this week. The dollar rose above Y149.25 in Tokyo, compared with Y147.90 on Friday.

Japanese financial institutions and foreign banks were reported to have given the dollar strong support.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0275	+1.34	+0.76	±1.5344
Danish Krone	7.85212	7.88577	+0.43	−0.15	±1.6404
German D-Mark	2.05853	2.07510	+0.80	+0.22	±1.0981
French Franc	6.90403	6.91548	+0.17	−0.41	±1.3674
Dutch Guilder	2.31943	2.33703	+0.76	+0.18	±1.5012
Irish Punt	0.768411	0.774441	+0.78	+0.20	±1.6684
Italian Lira	1483.58	1502.28	+1.26	+1.21	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

July 6	Latest	Previous Close
£ Spot	1.6210-1.6220	1.6120-1.6130

POUND SPOT—FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts finish lower

GILT PRICES retreated after early gains to finish lower in yesterday's London International Financial Futures Exchange. A firmer opening was seen as a reaction to the sharp sell off on Friday night. Sterling's steadier tone and a feeling that Friday's fall had been overdone tended to tighten the squeeze on bear positions.

Consequently from an opening level of 93-10, which was up from Friday's close of 93-03, the September contract moved to a high of 93-11 before easing back during the afternoon. The reversal followed the release of UK retail sales figures which showed a fall of 3.5 per cent in May after rising by 3.6 per cent in April. The price dipped to a low of 92-20 before closing at 92-24.

Three-month sterling deposits opened firmer and managed to improve during the day from an opening level of 90.68 for September delivery, up from 90-61, to a high of 90.81. It closed at 90.79, helped by a modest fall in cash rates.

Trading volume was relatively low as it was in most other financial sectors. While the pound's undertone remained reasonably bullish, there were very few traders in the market looking for any change in interest rates before the end of the summer.

US Treasury bonds opened at 93-10 for September delivery up from 93-03 on Friday and traded quietly for most of the morning in a range of 93-04-10. However this left the price a little dear to Chicago and afternoon trading witnessed profit taking down to a low of 92-20. Resistance at this level took values back to a close of 92-24.

Dealers suggested that longer term prospects remained brighter and although producer prices, due for release on Friday, have been known to cause an upset, most traders were resigned to a bout of inactivity until the release of US trade figures on July 15.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
116	7.35	7.62	0.05	0.42
118	5.43	6.25	0.13	1.05
120	3.63	4.62	0.33	1.42
122	2.36	3.49	1.06	2.29
124	1.29	2.48	1.63	3.28
126	0.50	1.61	3.20	4.41
128	0.24	1.25	4.58	6.05
130	0.09	0.61	6.43	7.41

Estimated volume total, Calls 1,210 Puts 439
Previous day's open int: Calls 25,641 Puts 16,862

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
82	10.49	10.02	0.01	0.14
84	8.51	8.15	0.03	0.27
86	6.57	6.37	0.09	0.49
88	5.08	5.06	0.24	1.18
90	3.36	3.52	0.52	2.00
92	2.08	2.45	1.24	2.57
94	1.05	1.55	2.21	4.03
96	0.32	1.15	3.48	5.27

Estimated volume total, Calls 270 Puts 0
Previous day's open int: Calls 1,675 Puts 618

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last July	Calls—Last Aug.	Puts—Last July	Puts—Last Aug.
22750	12.53	14.03	0.33	1.83
23000	10.31	12.15	0.61	2.45
23250	8.25	10.41	1.05	3.21
23500	6.39	8.82	1.69	4.12
23750	4.79	7.38	2.59	5.18
24000	3.45	6.10	3.75	6.40
24250	2.39	4.98	5.19	7.78
24500	1.58	4.02	6.88	9.32

Estimated volume total, Calls 32 Puts 18
Previous day's open int: Calls 178 Puts 85

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6563	0.6579	0.6554	0.6608
Dec.	0.6623	0.6632	0.6605	0.6667
Mar.	0.6695	0.6695	0.6680	0.6730
June.	0.6750	—	—	0.6792

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	307.90	308.50	307.40	306.95
Dec.	310.20	310.85	309.80	309.30
Mar.	312.30	313.00	312.00	311.50
June	314.50	315.10	—	—

MONEY MARKETS

UK rates slightly down where changed

INTEREST RATES were slightly easier where changed in London yesterday. Trading was mostly rather quiet and uneventful. Sterling's better tone provided some encouragement but most traders were not looking for much change outsde the current yield structure.

Three-month interbank money was quoted at 9¼-9⅛ per cent down from 9 5/16-9 3/16 per cent. Overnight money was confined to a narrow range of 10-9 per cent.

UK clearing bank base lending rate 9 per cent since May 8

The Bank of England forecast a shortage of around £950m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £932m and Exchequer transactions a further £370m. In addition banks brought forward balances £25m below target. These were partly offset by a fall in the note circulation of £375m.

To help alleviate the shortage, the Bank offered an early round of assistance but there was no help given.

The forecast was revised to a shortage of around £1,000m and the Bank gave help of £275m through outright purchases of £58m of eligible bank bills in band 1, £70m in band 2 and £147m in band 3, all at 8⅞ per cent.

A further revision took the forecast to a shortage of around £1,050m, before taking into account the early help and the Bank gave additional help in the afternoon of £546m through outright purchases of £95m of eligible bank bills in band 1 and £162m in band 2. In band 3 it bought £106m of Treasury bills, £15m of local authority bills and £168m of eligible bank bills. All bills were bought at a rate of 8⅞ per cent.

Late assistance came to £110m, making a total of £931m.

In Brussels the Belgian central bank cut the rate on three-month Treasury bills to 6.65 per cent from 6.75 per cent but left the rate on two and three-month bills unchanged at 6.60 per cent. Rates have been falling steadily just recently. The discount rate was reduced on June 24 to 7½ per cent and the key three-month rate is now over a full point lower. With the Belgian franc holding up well against its EMS partners, there was renewed speculation that there may be room for a further modest reduction in the discount rate.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on July 6, 1987. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.20
Albania	Lek	10.0235
Algeria	Dinar	7.5266
Andorra	French Franc	9.9225
	Spanish Peseta	205.55
Angola	Kwanza	48.6015
Antigua	E. Caribbean $	4.35
Ghana	Cedi	261.06
Gibraltar	Gibraltar £	1.0
Greece	Drachma	223.13
Greenland	Danish Krone	11.3350
Grenada	E. Caribbean $	4.35
Guadaloupe	Local Franc	9.9225
Guam	U.S. $	1.6195
Panama	Balboa	1.6195
Papua New Guinea	Kina	1.4557
Paraguay	Guarani	516.96 (10)
		1276.25
Peru	Inti	exc(o)25.67
		(F) 47.66

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 3 1987					THURSDAY JULY 2 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (96)	136.31	−0.2	125.52	126.11	3.13	136.56	125.36	126.11	141.44	99.92	77.66
Austria (16)	86.15	−0.6	79.33	82.18	2.51	86.65	79.54	82.31	101.62	85.71	86.96
Belgium (48)	124.66	+2.3	114.79	117.59	4.09	121.84	111.85	114.33	124.66	96.19	82.66
Canada (132)	131.15	+1.4	120.77	126.02	2.25	129.36	118.75	124.58	136.17	100.00	99.61
Denmark (39)	115.41	−0.3	106.28	109.33	2.55	115.80	106.30	109.30	124.10	98.18	97.04
France (122)	110.40	+1.9	101.66	106.11	2.67	108.35	99.47	103.81	121.82	98.39	87.82
West Germany (92)	96.61	+0.5	88.97	92.42	2.06	96.13	88.25	91.56	100.33	84.00	81.94
Hong Kong (45)	127.21	−0.6	117.14	127.55	2.83	127.95	117.46	128.28	127.95	96.89	71.04
Ireland (14)	134.01	+0.7	123.41	129.65	3.47	133.06	122.15	128.03	134.01	99.50	94.25
Italy (76)	96.48	+0.9	88.84	95.97	1.89	95.63	87.79	94.77	112.11	94.76	85.80
Japan (458)	138.75	−2.2	127.77	130.51	0.52	141.88	130.24	132.06	161.28	100.00	82.88
Malaysia (36)	173.73	+1.2	159.98	169.30	2.24	171.72	157.64	167.19	173.73	98.24	82.47
Mexico (14)	257.08	+4.4	236.74	380.16	0.60	246.17	225.98	364.02	268.91	99.72	48.82
Netherland (38)	124.51	+0.9	114.66	117.75	3.77	123.44	113.32	116.28	124.51	99.65	90.52
New Zealand (26)	98.85	+0.4	91.03	88.13	3.21	98.44	90.37	88.13	100.59	83.93	72.55
Norway (24)	140.92	+0.2	129.76	128.48	2.23	140.61	129.08	128.02	140.92	100.00	100.73
Singapore (27)	149.29	+1.6	137.48	145.89	1.69	146.95	134.90	143.46	149.29	99.29	77.53
South Africa (61)	157.32	−0.1	144.87	118.61	3.47	157.46	144.54	118.71	186.74	100.00	76.83
Spain (43)	120.44	−1.3	110.90	116.06	3.41	122.04	112.03	117.09	123.93	100.00	80.85
Sweden (33)	114.70	+1.3	105.62	108.84	2.14	113.22	103.93	107.14	124.68	90.85	93.23
Switzerland (53)	98.48	+0.6	90.68	93.41	1.82	97.89	89.86	92.36	104.06	92.01	86.46
United Kingdom (336)	152.51	+0.8	140.44	140.44	3.11	151.23	138.83	138.83	153.12	99.65	102.74
USA (591)	124.92	+0.0	115.03	124.92	2.90	124.91	114.67	124.91	126.68	100.00	105.47
Europe (934)	123.35	+0.8	113.59	116.25	2.80	122.32	112.29	114.87	123.35	99.78	91.99
Pacific Basin (688)	138.15	−2.1	127.22	130.06	0.70	141.05	129.48	131.50	158.77	100.00	82.31
Euro-Pacific (1622)	132.27	−1.0	121.81	124.53	1.48	133.60	122.64	124.84	143.65	100.00	86.13
North America (723)	125.25	+0.1	115.34	125.00	2.86	125.15	114.88	124.91	126.70	100.00	105.16
Europe Ex. UK (598)	105.25	+0.8	96.92	101.13	2.53	104.37	95.82	99.88	107.75	98.02	85.50
Pacific Ex. Japan (230)	130.88	−0.1	120.52	124.39	2.93	131.05	120.30	124.45	131.05	99.92	75.07
World Ex. US (1829)	132.58	−0.9	122.09	124.69	1.54	133.77	122.81	124.93	143.38	100.00	86.47
World Ex. UK (2084)	127.33	−0.7	117.25	123.35	1.92	128.25	117.73	123.67	133.61	100.00	93.09
World Ex. So. Af. (2359)	129.38	−0.6	119.14	124.94	2.04	130.11	119.44	125.09	135.02	100.00	94.02
World Ex. Japan (1962)	125.22	+0.3	115.31	122.16	2.85	124.80	114.57	121.61	125.22	100.00	99.19
The World Index (2420)	129.56	−0.6	119.31	124.92	2.05	130.29	119.60	125.07	135.15	100.00	93.91

Base values: Dec 31, 1986 = 100

Prices for Australia were not fully updated for July 3. Latest prices were unavailable for this edition.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 87 Vol.	Aug 87 Last	Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	Stock
GOLD C	$460	5	6.50	75	20	72	31	$443.70
GOLD C	$480	15	3.50	70	14	5	23	"
GOLD C	$520	—	—	10	6.90	—	—	"
GOLD P	$400	—	—	—	—	40	6.50	"
GOLD P	$420	—	—	30	8.50	—	—	"
GOLD P	$440	184	9	79	15.50	—	—	"
		Sep 87		Dec 87		Mch 88		
SILVER C	$700	—	—	20	110	—	—	$728
SILVER C	$800	10	55A	—	—	—	—	"
SILVER C	$850	—	—	31	55	—	—	"
SILVER C	$900	—	—	6	45	—	—	"
		Jul 87		Aug 87		Sep 87		
$/FL C	Fl.200	2	7.20	—	—	5	7.50	Fl.207.14
$/Fl. C	Fl.205	332	2.70A	25	3.50	18	4.50	"
$/FL C	Fl.210	—	—	49	1.30A	74	2.40	"
$/Fl. C	Fl.195	—	—	—	—	3	0.70	"
$/Fl. P	Fl.200	—	—	—	—	8	1.40	"
$/Fl. P	Fl.205	28	0.70	1	2	13	3.20	"
$/Fl. P	Fl.210	1	3.40	5	4.80	12	5.80	"
$/FLP	Fl.215	25	7.90	—	—	—	—	"
$/Fl P	Fl.220	—	—	—	—	10	13.70	"
$/Fl P	Fl.235	—	—	—	—	20	28.50	"
		Dec 87		Mch 88		Jun 88		
$/Fl C	Fl.200	16	8.60	30	9.50	—	—	Fl.207.14
$/Fl C	Fl.205	7	6	15	7.10	14	8.30	"
$/Fl C	Fl.210	16	4.10A	1	5.30	2	6	"
$/Fl C	Fl.215	—	—	10	3.50	12	4.2	"
$/Fl P	FL195	12	1.70	—	—	—	—	"
$/Fl P	Fl.200	10	3.60	9	5.40	6	6.70	"
$/Fl P	Fl.210	20	8.80	—	—	—	—	"
$/Fl P	Fl.215	20	11	10	13.20	—	—	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.500	56	1.20	98	11	6	20	Fl.480.50
AEGON C	Fl.100	966	2.30	1064	5.50	274	7.40	Fl.100.10
AEGON P	Fl.100	85	1.80	192	4.20	65	5.20	"
AHOLD C	Fl.105	14	3	58	6.60	6	8	Fl.107.50
AHOLD P	Fl.100	—	—	19	2.50	—	—	"
AHOLD C	Fl.104.60	120	3.30	38	6.50	—	—	"
AHOLD P	Fl.90.90	65	0.10	83	1	—	—	"
AKZO C	Fl.160	2512	3.70	1647	9.60	581	12.70B	Fl.160.20
AKZO P	Fl.160	178	2.50	511	5.80	259	8.50	"
AMEV C	Fl.65	133	1.50	103	4.20	32	6	Fl.65.60
AMEV P	Fl.65	29	1	26	2.80	—	—	"
AMRO C	Fl.85	27	0.20	215	1.60	72	2.90	Fl.76.90
AMRO P	Fl.80	3	3.50	62	6	4	6	"
ELSVIER C	Fl.56	231	1.80	1252	4.80	—	—	Fl.56.30
ELSVIER P	Fl.50	35	0.20	55	1.10A	—	—	"
GIST-BROC. C	Fl.45	873	3	182	4.80	10	6.20	Fl.47.90
GIST-BROC. P	Fl.50	7	2.50	30	3.30	—	—	"
HEINEKEN C	Fl.180	275	4.20A	142	9.20	24	12	Fl.181
HEINEKEN P	Fl.170	10	0.50	32	2.50	—	—	"
HOOGOVENS C	Fl.45	817	2.40	349	4.80	43	6.40	Fl.46.50
KLM C	Fl.50	1388	3.40	693	4.40	125	5.70B	Fl.52.80
KLM P	Fl.55	5	2.50	406	4.70	—	—	"
NEDLLOYD P	Fl.140	—	—	60	2.60	2	4.50A	Fl.155.20
NAT.NED. C	Fl.75	117	1.30B	183	4.10	49	5.60	Fl.74.70
NAT.NED. P	Fl.70	10	0.30	101	2	12	2.50	"
PHILIPS C	Fl.50	2697	2.80A	1123	5.10	316	6	Fl.52.70
PHILIPS P	Fl.50	230	0.20	360	1.60	312	2.30	"
ROYAL DUTCH C	Fl.270	1481	16.10	1306	20.50	213	24.50	Fl.286
ROYAL DUTCH P	Fl.280	791	1.90	252	7.80B	89	10	"
ROBECO C	Fl.105	—	—	—	—	28	6.50	Fl.107
UNILEVER C	Fl.136	1898	3.20	276	8.30	6	11.30	Fl.137.90
UNILEVER P	Fl.136	258	1.20	207	4.20B	50	5.20	"

TOTAL VOLUME IN CONTRACTS: 82,642

A=Ask B=Bid C=Call P=Put

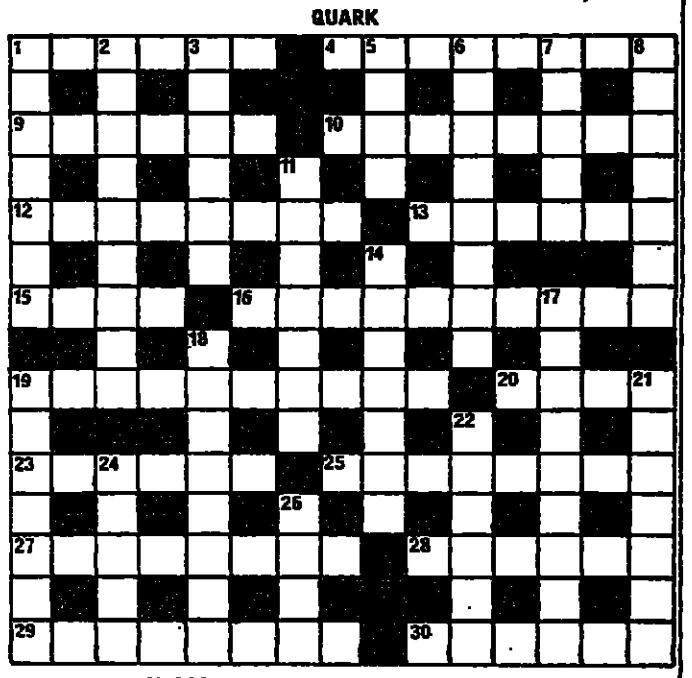
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bnk	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambro Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,371

QUARK



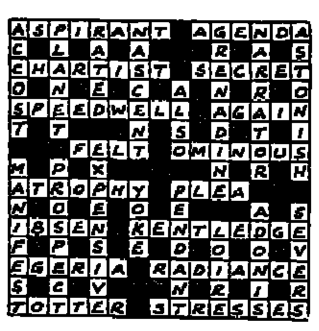
ACROSS

1 and 4 Emerge successfully from a jump? (4,2,4,4)
9 A car in upset. Treatment for bruises required (6)
10 This intended me to include one simultaneously (8)
12 No back street papers going into production (2,6)
13 Characteristic mark (6)
15 Come down to rule, say (4)
16 Resting-place with unusually large overheads (4-6)
19 Sea food returns — it is in the money, giving superior influence (10)
20 Fight with one's partner just a little? (4)
23 Player's attendant — ungentlemanly one to come to an end (6)
25 Meat jammed in the pipe is exposed (8)
27 Dash for space in retrospect as criminals spot (8)
28 Open part of theatre for sayings around the middle of night (6)
29 Lively style in cars—English Society models (8)
30 Make firm pay up (6)

DOWN

1 Distinctive quality raising value within boundary (7)
2 The country is led anew to an overwhelming victory (9)
3 What we own around the cricket club turns up here (6)
5 We hear, to work with dough is a necessity (4)
6 Accept acknowledgement (8)
7 Send out of the country (once a French island) (5)
8 Sounds like a vandal under a bit of training, a migrator (7)
11 A Bronte novel getting a special title (7)
14 Insect in season in the summer (7)
17 Outstanding drunk embracing terrible flop (3-6)
18 Toss — "Tails!" — chap could be lucky (8)
19 Choose an entrance that is heard for one in the ring (7)
21 The bind of official forms! (3,4)
22 Far away (it's about a speak) (6)
24 Party with food unfinished? Special kind of order here (5)
26 Intelligence that is almost without application (4)

Solution to Puzzle No. 6,370



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Magrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
American Income	53.3	56.4	+0.1	4.48
Gilts & Fixed Int.	113.1	119.8	+0.3	10.03
High Inc Equity	142.7	151.8	+1.0	3.45
Worldwide Bond	188.9	200.9	-0.6	4.85
Capital Growth				
American Growth	175.3	186.4	+0.4	0.49
Asian Pacific	83.6	88.9	+0.8	1.00
Assets & Exmpt. Tst.	185.3	197.1	+0.8	1.14
Capital Reserve	72.0	72.3	—	1.40
Commodity & Engy	172.0	182.9	+2.0	0.48
European Capital	93.6	99.5	+1.1	1.28
General	193.0	205.3	+0.2	2.19
Japan	86.9	92.4	-3.9	0.0
Mastertrust	86.9	92.4	+0.3	1.48
UK Growth Acc Units	265.3	282.2	+2.1	0.70
UK Growth Dist	182.6	194.2	+1.5	1.01
U.S. Emerging Co's	57.5	60.9	-0.1	1.79
Income & Growth	306.2	325.7	+2.8	2.16

Brown Shipley & Co Ltd (a)(g)
9-17 Perrymount Rd, Haywards Hth 0444 412262/3/4/5

Brycourt Unit Trust Mgmt Ltd(a)(c)(d)

Buckmaster Management Co Ltd (a) (c)
The Stock Exchange, London EC2P 2JT 01-588 2868

Burrage Unit Trust Mngmnt Ltd
117 Fenchurch St, London EC3M 5AL 01-480 7216

CCL Unit Trusts Limited
74, Shepherds Bush Green, Ldn, W12 8SD 01-740 7070

CS Fund Managers Limited
125 High Holborn, London WC1V 6PY 01-242 1148

Canada Life Unit Trust Magrs. Ltd
2-6 High St, Potters Bar, Herts 0707 51122

Cannon Fund Managers Ltd
1 Olympic Way, Wembley, HA9 0NB

AEtna Unit Trusts Ltd(a)(b)(c)
401 St John St, London EC1V 4QE 01-837 6494

FS Investment Managers Ltd

Fidelity Investment Services Ltd
River Walk, Tonbridge

Robert Fleming & Co Ltd
25 Copthall Ave, London

Framlington Group
3 London Wall Bldgs

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	109.7	116.6	-0.0	0.71
(Accum Units)	115.0	121.6	+0.1	0.71
British Blue Chip Fund	53.3	56.3	+0.6	2.32
(Accum Units)	53.3	56.3	+0.6	2.32
American Sm Cos Fd	52.1	55.1	+0.1	0.45
(Accum Units)	52.1	55.1	+0.1	0.45
American Income	51.0	53.9	-0.6	3.59
(Accum Units)	55.6	58.8	-0.6	3.59
European Growth	145.1	159.5	+2.1	0.74
(Accum Units)	150.2	158.9	+2.2	0.74
European Income	79.3	84.0	+0.6	3.69
(Accum Units)	83.7	88.9	+0.6	3.69
General	381.5	403.6	+5.3	1.71
(Accum Units)	633.5	670.3	+8.7	1.71
Gilt	86.1	86.9	-2.7	7.86
(Accum Units)	102.5	108.0	-3.2	7.86
Global Fund	49.5	52.3	-0.1	0.70
(Accum Units)	49.5	52.3	-0.1	0.70
High Interest Fund	47.3	50.0	+0.1	8.91
(Accum Units)	47.7	50.4	+0.1	8.91
High Income Fund	54.6	57.5	+0.7	4.81
(Accum Units)	54.9	58.0	+0.7	4.81
Income	124.4	131.6	+0.9	3.61
(Accum Units)	142.6	150.9	+1.1	3.61
International	292.6	309.4	-2.7	1.17
(Accum Units)	364.1	387.4	-9.4	1.17
Japan	199.6	211.2	-4.1	0.77
(Accum Units)	204.9	216.8	-4.3	0.77
Pacific Fd	54.7	57.8	+0.7	0.10
(Accum Units)	54.7	57.8	+0.7	0.10
Recovery	316.2	334.5	+2.6	2.07
(Accum Units)	343.7	363.7	+2.9	2.07
UK Smaller Co's Fd	55.4	58.6	+2.1	1.95
(Accum Units)	55.4	58.6	+2.1	1.95
Exempt May 27	01	07	+345.5	384.3
(Accum Units)	542.5	556.4		2.26

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	62.6	66.5	+0.5	4.51
Accum Units	62.6	66.5	+0.5	4.51
UK Growth Fund Acc	64.9	69.0	+0.7	1.56
Global Income Fund	49.8	52.9		3.78
Accum Units	49.8	52.9		3.78
Global Growth Fund	45.6	48.6	-0.5	0.51

Midland Bank Group UT Mngrs Ltd

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	80.1	84.7	+0.4	0.56
Holborn Equity Income	73.6	77.8	+0.6	3.31
Holborn Equity Tst	602.6	637.6	+4.4	2.12
Holborn European Tst	116.4	123.1	+1.1	0.87
Holborn Gilt Tst	214.5	228.6	+0.9	2.13
Holborn High Inc Tst	89.4	95.5	+0.7	4.61
Holborn Intl Grth Tst	117.9	124.7	+0.6	0.70
Holborn Japanese Tst	125.4	132.6	-4.2	0.04
Holborn N. Amer Tst	92.0	97.3	+0.1	0.50
Holborn Sm Cos Tst	79.5	84.1	+0.9	1.38
Holborn Spec Sits Tst	103.5	109.5	+0.6	1.53
Holborn UK Growth Tst	119.6	126.5	+1.3	1.48

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	676.4	715.8	+18.3	1.37
Quadrant Income	333.8	359.3	+5.2	4.07
Quadrant Intl. Fund	447.5	473.6	-1.6	1.05
Quadrant Spec. Sits	452.0	478.4	+25.2	1.37

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	245.5	261.1	+2.7	2.20
Reliance Unit Tst (Inc)	169.8	180.5	+1.3	1.79
Reliance Ut Tst (Acc)	228.5	243.0	+1.3	1.79

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	49.6	52.2	+0.5	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2981/4

NC America (Inc)	322.4	342.9	+0.5	0.80
NC America (Acc)	352.0	374.4	+0.5	0.80
NC Inc Fd	129.5	137.7	+1.2	2.73
NC Japan Fd	194.7	207.3	-7.7	—
NC Major UK Cos Fd	73.7	78.4	+0.7	1.53
NC Smllr Australian	89.4	95.1	+0.7	0.48
NC Smllr Canadian CoFd	48.6	51.7		0.98
NC Smaller Cos	241.3	254.6	+1.4	0.89
NC Smaller European	193.9	206.2	+1.7	0.46
NC Prop.*	157.2	171.4		(z)

*Unauthorised Unit Trust

Standard Life Trust Mgmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd

Sun Alliance Fund Management Ltd

Sun Life of Canada Unit Mgrs Ltd

Sun Life Trust Mgmt. Ltd

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	446.8	470.3		
Property	280.2	294.9		
Equity	578.2	608.6		
Gilt Edged	364.4	383.6		—
Deposit	204.1	214.8		—
Investment	247.7	260.1		—
International	423.5	445.8		—
Pension Fund Prices				
Managed Init.		326.1		—
Do. Accum		398.3		—
Property Init.		242.9		—
Do. Accum		296.5		
Equity Init.		423.2		—
Do. Accum		516.0		—
Gilt-Edged Init.		235.4		
Do. Accum.		287.4		—
Guaranteed Init.		157.5		—
Do. Accum		192.4		—
International Init.		517.8		—
Do. Accum.		631.8		—
Index Lk. Gilt Init.		137.3		—
Do. Accum.		167.6		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	301.1	+0.8	—
Property Pens.	397.1	+0.1	—
Equity	204.2	+5.5	—
Equity Pens.	927.1	+12.6	—
Money Market	309.2	-0.1	—
Money Mkt. Pens.	552.9	-0.2	—
Deposit	236.2	+0.0	—
Deposit Pens.	375.6	+0.1	—
Managed	296.9	+4.6	—
Managed Pens.	572.0	+4.7	—
Intl. Equity	344.1	+3.4	—
Do. Pens.	552.9	+3.7	—
Intl. Managed	318.4	+4.1	—
Do. Pens.	472.2	+3.9	—
North American	130.2	+1.0	—
Do. Pens.	146.6	+0.0	—
Far East	288.1	-0.3	—
Do. Pens.	430.0	+1.9	—
Intnl. Currency	175.5	+0.9	—
Do. Pens.	230.0	+1.6	—
Index Linked	132.0	+0.4	—

National Provident Inst.—Contd.

Far East Initial	470.1	494.9	-9.2	—
Far East	561.1	691.2	-10.9	—
Prop Initial	140.0	147.4	-0.1	—
Prop	167.2	176.1	-0.2	—
Fixed Int. Initial	189.6	199.6	+0.8	—
Fixed Int	226.4	238.4	+1.0	—
Indexed Gilt Initial	103.5	109.0	+0.5	—
Indexed Gilt	122.4	128.9	+0.6	—
Deposit Initial	134.3	141.4		—
Deposit	162.1	170.7	+0.1	—
NPI Pensions Management Ltd				
Managed Fund	952.7	969.7		—

Prices July 1. Next dealing August 3.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds				
Managed Fund	57.8	60.9	+0.4	—
Stock Market Mngd Fund	59.3	62.5	+0.3	—
Equity Fund	65.8	69.3	+0.7	—
International Fund	54.0	56.9		—
European Fund	57.0	60.0	+0.2	—
North American Fund	50.3	53.0		—
Pacific Fund	61.7	65.0	-1.5	—
Property Fund	50.7	53.4		—
Fixed Interest Funds	50.4	53.1	+0.4	—
Index linked Sec Fund	45.8	48.3	+0.2	—
Deposit Fund	50.7	53.4		—
NUAM Retirement Plans				
Mixed Fund	61.6	64.9	+0.5	—
UK Ordinary Share	74.5	78.5	+1.1	—
International Fund	55.8	58.8		—
Property Fund	51.6	54.4		—
Fixed Interest Fund	51.6	54.4		—
Index Linked Sec Fund	45.7	48.2	+0.1	—
Deposit Fund	52.5	55.3		—
NUAM (MF)				
Managed Fund	791.5	833.2	+5	—
Equity Fund	1753.8	1846.2	+21	—
Property Fund	315.1	331.7	+0.1	—
Fixed Interest Fund	371.2	390.8	+2.6	—
Deposit Fund	206.9	217.8	+0.1	—
International Fund	140.2	147.6		—
Index Linked Sec Fund	45.9	48.4	+0.2	—

Norwich Union Life Insurance Soc.

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100	Treas. 12pc 1987	100	.....	11.90	9.09
99¾	97	Treas 7¾pc 1985-88‡‡	99	+	7.77	8.31
102¼	99	Exch 10½pc '88	100	.....	10.39	9.13
101	98	Treas 9¾pc Cv '88	100	+	9.70	9.14
96	95	Transport 3pc '78-88	96	.....	3.10	6.51
101¼	98	Treas. 9½pc '88	100	+	9.47	9.14
105	101	Treas 11½pc 1989	103	+	11.19	9.19
102	97	Treas 9½pc Cnv 1989	100	+	9.44	9.10
94	89	Treas 3pc 1989	93	+	3.20	6.66
104	99	Treas 10½pc 1989	102	+	10.26	9.11
103	98	Exch 10pc 1989	101	+	9.84	9.13
105	100	Exch 11pc 1989	103	+	10.63	9.16
95	89	Treas 5pc 1986-89	94	+	5.31	7.81
108	100	Exch 10½pcCv '89	104	+	9.77	7.87
111	105	Treas 13pc 1990‡‡	108	+	11.96	9.06
106	100	Exch 11pc 1990‡‡	104	+	10.55	9.10
110	104	Exch. 12½pc 1990	107	+	11.59	9.15
91	84	Treas. 3pc 1990	90	+	3.32	6.81
100	93	Treas 8¼pc 1987-90‡‡	99	+	8.35	8.7.
105	97	Treas. 10pcCv 1990	102	+	9.78	9.16
89	81	Exch 2½pc 1990	87	+	2.85	6.55
110	103	Treas 11¾pc 1991	107	+	10.91	9.10
95	87	Funding 5¾pc '87-91‡‡	93	+	6.19	7.98
89	80	Treas. 3pc 1991	87	+	3.43	6.77
110	100	Treas 10pc Cv '91 ‡‡	105	+1	9.50	8.42
109	101	Exch. 11pc 1991	106	+	10.34	9.15
116	108	Treas 12¾pc 1992‡‡	113	+	11.29	9.19
106	97	Treas 10pc 1992	103	+	9.70	9.15
99	95	Treas. 8pc 1992‡‡	96	+	8.15	8.47
108	99	Treas 10½pc Cv 1992‡‡	105	+	10.00	9.18

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for October 1986: 388.4 and for May 1987: 101.9 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	53xd		3.50	6.60
50	40	Do. 6pc 28 Stb. Ass.	50	.....	3	6.00
47	45	Do 4pc Mixed Ass.	47	..	2	4.26
65	58	Hung. '24 Ass	63	..	2.75	4.37
146½	122	Hydro Quebec 15pc 2011	139	...	15.00	10.50
94	83	Iceland 6½pc '83-88	90		—	—
136¼	115½	Do. 14½pc Ln. 2016	128¾	.....	14.50	11.13
103½	94	Ireland 9¾pc '91-96	100¼	.	9.75	9.70
98½	93	Japan 6% '83-88	94	...	—	—

AMERICANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
41	32¾	Abbott Laboratories	38¼	..	$1.00	—	1.6
17	11	Ahmanson (H.F.)	13	.....	88c	—	4.2
33¾	24¾	Alcoa $1	33½	.....	$1.20	—	2.2
18	15	Allegheny & W $0.01	17	..			
14	8¼	Amax $1	13¼	...	—	—	—
26¼	17	Amdahl 5c.	22¼	..	20c	—	0.5
33	25¼	Amer. Cyanamid $5	31	.....	$1.90	—	3.8
25	18	Amer Express $0.60	23¼xd	...	$1.44	—	4.1
12¾	10	Amer. Medical Int. $1	11	.	72c	—	3.7
[illegible]							
	36¼	NYNEX $1	43	.....	h$3.48	—	5.0
	21¼	PHH	24¼xd	.....	$1.04	—	2.6
	19¼	Pacificorp $3.25	22¼	.....	$2.40	—	6.6
	13½	Pacific Telesis $0.10	16	.....	h$1.64	—	6.0
	17¼	Pall Corp. 25c	18¼	..	34c	—	1.1
	45¼	Pennzoil 83c	47	+	$2.20	—	2.8
	21	Pillsbury$	26¼	.....	$1.00	—	2.3
	26¼	Quaker Oats $5	32xd	+	h80c	—	1.5
	28¾	RJR Nabisco Inc.	33¼	.....	$1.60	—	2.9
	27¼	Rep NY Corpn $5	33	.....	$1.16	—	2.1
	15	Rockwell Intl. $1	16	.....	$1.32	—	4.8

Continued on next page

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
ANZ Finance High Interest Cheque Acc				
Minerva Hse, Montague Cl, London, SE1 01-378 2576				
£250-£2,500	7.00	5.27	7.36	Qtr
£2,500+	9.00	6.77	9.52	Qtr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	8.20	6.00	8.64	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	8.25	6.21	8.71	Qtr
MthInt Chq £1000-£5000	8.00	6.02	8.48	Mth
Mth. Int. Chq. £5,000+	8.25	6.21	8.75	Mth
AAB—Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-626 2046.				
HICA, HICMA	8.75	6.58	9.30	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	8.10	6.09	8.59	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	8.00	6.00	8.40	Qtr
Benchmark Trust Ltd Premier Account				
9 Henrietta Place, W1M 9AG. 01-631 3313				
£5,000-£10,000	9.00	6.77	9.43	6-mth
[illegible]				

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
30⅞	22¾	Sara Lee $1	27⅝xd	.....	$1.00	—	2.2
11⅞	8¾	Saul (B. F.) $1	10⅛xd	–⅛	20c	—	1.2
26¼	19⅞	Southwestern Bell $1	24¼	.....	h$2.32	—	5.9
18¾	14¼	Staley Continental	18⅜	+1	80c	—	2.7
44⅞	36⅛	Sun Co. Inc. $1	40⅝xd	+⅛	$3.00	—	4.5
37	28½	TRW Inc. $1¼	32¾	.....	h$1.60	—	3.0
32	25⅞	Tenneco $5	30¾	+⅛	$3.04	—	6.1
187½	149½	Do. 10pc Ln.Stk. 91-5	187½xd	.....	10%	—	5.5
26¼	17⅞	Texaco $6.25	25⅞xd	–⅞	$3.00	—	7.2
61⅞	47¼	Time Inc. $1	60	+¼	$1.00	—	1.0
14½	11	Tracor $0.33	12¼	.....	40c	—	2.0
26⅞	18⅞	Transamerica $1	25⅜xd	+⅛	$1.76	—	4.3
12⅛	922p	Transworld Corp $5	11⅝	.....	20c	—	1.1
46	29¼	TRINOVA Corp.	42¼	.....	h$1.00	—	1.5
20	15⅛	♥USX $1	19⅞	.....	$1.20	—	3.7
19¼	15⅞	Union Carbide $1	18⅞	+⅛	$1.50	—	4.9
35⅞	26⅞	Utd. Technologies	32½	–⅛	$1.40	—	2.6
38⅝	27	US WestU	33	.....	$3.28	—	6.1
25	17¼	Waste Management $1	24⅞	+¼	—	—	—
£22¼	£20½	Whirpool $1.0	£22¼	.....	—	—	—
35¼	26	♥Woolworth $3½	35	+⅛	$1.32	—	2.5

CANADIANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21p	10p	♥Abbot Energy Corp.	21p	.....	—	—	—
12⅝	506p	♥Amer. Barrick Res.	11	+⅛	—	—	—
122p	52p	Armeno	79p	.....	—	—	—
19⅛	14⅝	Bk. Montreal ‖	16	.....	$2.00	—	5.8
10½	745p	Bk. Nova Scot.‖	847pxd	.....	72c	—	3.9

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

FINANCE, LAND—Cont.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

MINES

MINES—Continued

THIRD MARKET

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
485	180	Abercorn Group 10p	425	−10	3.5	2.7	1.1	45.7
35	28	Aberdeen Am Pet 10p	32		—	—	—	—
125	110	Allied Ins. Brokers	120	−2	L3.5	2.5	4.1	13.9
83	79	Amercoeur Energy 10p	83		—	—	—	—
15½	9	Ardmore Pet. 'A'	11	−1	—	—	—	—
78	45	Catalyst Comms. 5p	78	+1	—	—	—	32.4
200	168	Chelsea Artisans 5p	178		—	—	—	23.9
151	47	Corton Beach 10p	151	+8	0.4	♦	0.4	♦
200	150	Crown Eyeglass 5p	185	+2	—	—	—	—
265	102	Edeeming Investment	255			—	—	—
*62	18	Eglinton Oil Ir.5p	27	+1	—	—	—	—
41	17	Do. Warrants	19		—	—	—	—
80	17	Publishing Hldgs.5p	76	−1	—	—	—	44.0
73	45½	Theme Holdings	73	+2	1.0	♦	1.9	♦
140	111	Unit Group	140#		R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	86	......	Fin. 13% 97/02	£110⅞	......
Craig & Rose £1	£18¼xd	−¼	Arnotts	340	......
Finlay Pkg. 5p	135	+1	CPI Hldgs	58	+1
Holt (Jos) 25p	975	......	Carrol Inds.	163xd	+8
IoM Stm. £1	125	+2	Dublin Gas	18	......
			Hall (R. & H.)	108	+2
IRISH			Heiton Hldgs.	44	+3
Fund 11¼% 1988	£100½	......	Irish Ropes	170	......
Nat. 9¾% 84/89	£98½	......	Unidare	385	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	12
Amstrad	20	Nat West Bk	65
BAT	55	P & O Dfd.	65
BOC Grp	45	Plessey	22
BSR	17	Polly Peck	28
BTR	30	Racal Elect	24
Babcock	19	RHM	30
Barclays	52	Rank Org Ord	70
Beecham	50	Reed Intnl	45
Blue Circle	50	STC	30
Boots	25	Sears	15
Bowaters	50	TI	34
Brit Aerospace	55	TSB	10
Brit. Telecom	32	Tesco	55
Burton Ord	35	Thorn EMI	70
Cadburys	22	Trust Houses	24
Charter Cons.	40	Turner Newall	28
Comm Union	30	Unilever	300
Courtaulds	45	Vickers	20
FNFC	30	Wellcome	42
Gen Accident	95	**Property**	
GEC	24	Brit Land	25
Glaxo	200	Land Securities	45
Grand Met	55	MEPC	42
GUS 'A'	175	Peachey	45
Guardian	90	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst.	15	Britoil	32
Hawker Sidd	50	Burmah Oil	45
ICI	125	Charterhall	6
Jaguar	52	Premier	11
Ladbroke	40	Shell	110
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	24
Lloyds Bank	50	**Mines**	
Lucas Inds	62	Cons Gold	95
Marks & Spencer	22	Lonrho	26
Midland Bk	55	Rio T Zinc	90
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Strength in Government bonds as oil shares lead equity sectors to new peaks

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 15	Jun 25	Jun 26	July 6
Jun 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3

* New time dealings may take place from 9.00 am two business days earlier.

The UK stock market chalked up another substantial gain yesterday as a firm performance by the pound and the UK bond market fuelled the optimism triggered by last week's signs of renewed foreign buying of the blue chip equities. Strong rises in oils, bank and insurances took market indices to new peaks, although traders commented that demand remained disappointingly slow.

The FT-SE 100 index jumped 23.8 to 2351.9, slipping back from a mid-session peak of 2360.5 after a sluggish start by Wall Street brought oil shares off the top. The index has gained 80 points in the past three sessions, largely in response to some very patchy interest on Thursday from the Japanese funds. Also at a new peak was the FT Ordinary Index, up 12.3 at 1830.8.

The session started well, with Government bonds sharply higher as a London broking house predicted that UK bank base rates would be as much as one point lower by the year-end.

Although foreign buying was small, UK investors bought the privatisation issues, as interest strengthened ahead of this week's pricing of the BAA sale. However, turnover in **British Gas**, **British Telecom** and **British Airways** was unimpressive.

Shell was the outstanding performer among the oil stocks, which continued to respond to firmer crude oil prices. Buying of the leading industrials was somewhat selective, with **Jaguar**, **Unilever**, and **GEC** boosting the market indices.

Pharmaceuticals were largely overlooked until Wall Street opened, when US demand for **Glaxo** was noticeable. Also prominent among the international favourites were **RTZ** and **Consolidated Gold Fields**, although there was little interest in the gold mining producer issues.

In the insurances, the life companies did well on the back of tax concessions granted in the UK Finance Bill, published on Friday. **Prudential** featured the sector.

Government bonds, firm throughout, closed at the day's best net gains of 1¼ on "patchy demand." Some Japanese interest was again reported overnight but the day was then left to the UK funds

Dealers expect the last remaining taplet stock—the 10pc of 96—to run out shortly. Only £100m is left and marketmakers are likely to top up their books if the market opens firmer today.

Beecham proved a dull exception to the market trend, easing 3 to 561p after Salmon Bros told clients that the drugs group would make only £380m pre-tax in 1988 and £438m in 1989—significantly below forecasts elsewhere in the London market.

Stever Plag, Salomon's pharmaceuticals analyst, believes Beecham benefited from one-off factors this year, that the industry will meet new pressures by 1989 and, most importantly, that sales of Eminase, Beecham's premium drug, will total some £95m, rather than the £350m predicted by some City analysts.

Plessey were a major casualty in the electronics market with the shares heavily sold and finally 12 lower at 216p after a turnover of 16m shares. Rumours that securities house Kleinwort Grieveson had cut their profits forecast for the year to end March 1988 from £190m to £165m were responsible for the decline; Kleinwort's offered a discreet "no comment" to the rumours.

Scottish and Newcastle Breweries headlined a buoyant drinks sector, rising 7 to 263½p reflecting satisfaction with the full year profits, which although including an extra week on the comparable period, still exceeded City estimates. The shares were also aided by the absence of any acquisition plans—talk late last week was that S & N was preparing a defensive acquisition with one of the smaller quoted UK hotel groups widely regarded as a possible target.

Despite the pleasing figures, analysts still expressed caution over S & N's short-term prospects; Wood Mackenzie recommended clients to switch to **Bass**, a sentiment echoed by Morgan Grenfell. Bass advanced $\frac{9}{32}$ to £10¼ in an increasingly narrow market with more than one market maker lamenting the group's apparent reluctance to improved marketability by sanctioning a share split.

Imperial Chemical Industries closed $\frac{1}{16}$ up at £14⅞ after dipping to £11⅝ in early trading as marketmakers anticipated the small selling orders from the company's employees, who received their annual allotment of "workers' shares" yesterday.

The Financial sector continued to make rapid progress with banks and insurances sharply higher across the board. The clearing banks continued to reflect the view that the sector had been oversold with **Barclays** up 10 at 600p, **Lloyds**—currently recommended by BZW—9 up at 383p, **NatWest** 4 higher at 728p and **Midland** a like amount firmer at 647p.

Merchant banks surged ahead following the Gilbert House/Singer and Friedland deal and a Press suggestion that Japanese investment house Nomura may be stalking either Kleinwort Benson or Schroders. **Kleinwort** shares raced up 14 to 552p and **Schroders** ¼ to £12½. **Mercury International** spurted 21 to 489p ex-rights and the new nil paid were quoted at 101p. Press comment promped buying of **Brown Shipley**, 13 up at 563p, but the £12.85m rights issue which accompanied the preliminary figures left **Joseph Leopold** 5 off at 613p. **Britannia Arrow**, which sold Singer & Friedlander to Gilbert House, rose 5 to 198p.

In Life issues a "buy" recommendation from broker Wood Mackenzie boosted **Legal and General** 6 to a 1987 high of 379p and **Prudential** ¼ to £11$\frac{3}{16}$. Brokers showed **Bradstock** 25 higher at 378p and **Steel Burrill** 32 firmer at 315p born on bid speculation. **Hogg Robinson** returned from suspension at 507p and slipped back to 500p.

The latest market newcomers continued the recent trend of successful debuts. East Anglian housebuilder **Hey and Croft**, placed at 150p, opened at 188p and hardened to 190p before closing at 185p. **Martin Shelton**, a manufacturer of advertising and promotional material, opened at 76p and moved ahead strongly to end the session at 89p; the shares were placed 63p.

Buildings were highlighted by **Raine Industries'** sale of its 23.2 per cent interest in Tilbury Group via a placing by securities house Scroders at 352p a share. Raine jumped 9 to 160p on the sale, which gives Raine a profit of around £6m but Tilbury slumped 47 to 355p as earlier hopes that Raine would launch a full scale bid for the group were dumped.

Construction stocks continued their recent advance. **Costain Group**, rated a "buy" by Morgan Grenfell, moved up a further 10 to 308p, **Taylor Woodrow** 14 a like amount to 497p. **Newarthill** were ¾ higher at 11⅞. A sharp rise in annual profits failed to inspire **Vibroplant**, which settled 15 off at 785p.

Leading Stores generally proved to be reluctant to participate in the market's encouraging showing. **Next**, provided an exception, however, and rose 8 to 353p, helped by news of a European acquisition. Recent support for asset value situation among second-line issues receded somewhat, although a Press mention lifted **J. W. Wassall** 20 to 235p. **Blacks** met further demand on further consideration of the disclosable stake taken by Mr Gerald Ronson's Heron International and touched 44p before closing 5½ up on balance at 40¼p. **Ryman**, the office stationery retailer, were unchanged at 194p following agreed share-exchange terms from **Pentos**, finally 2 easier at 179p.

Thorn EMI, reflecting further buying interest ahead of Thursday's preliminary statement, advanced 15 more to 783p. Among the other Elecrical leaders, **GEC**, the subject of fairly widespread mention in the week-end Press, hardened a penny to 236p in a volume of 5.9 shares. Recent comment on the preliminary figures prompted further buying attention to **Kewill Systems** which moved ahead strongly to close 12 up at 133p.

Carclo advanced 25 to 728p in response to the good preliminary figures and proposed share subdivision. Elsewhere in the Engineering sector, **Wm. Cook**, helped by weekend Press mention, rose 15 to 170p, while **B. Elliott** firmed 5 to 110p for a similar reason. Renewed investment demand lifted **APV Baker** 15 further to 783p, while acquisition news **Ransomes Sims** 5 better at 325p. Newspaper mention was also good for a gain of 8 to 36½p in **C. H. Bailey**; the advance was also accompanied by talk of a sizeable put through.

Hillsdown, the acquisitive Food manufacturing group, continued to benefit from its current re-rating—securities house BZW issued a "buy" recommendation last week—and put on another 13 to 319p; sentiment was also helped by Friday's news that Hillsdown had disposed of its 4.9 per cent stake in Dalgety. Elsewhere, **Fitch Lovell** responded to a Press mention and rose 9 to 367p ahead of this Thursday's preliminary figures. **Freshbake** shrugged off revelations of stock discrepancies at its Wold subsidiary and rallied 12 to 180p.

The lack of takeover developments prompted profit-taking in Friday's speculative high-flier, **William Morrison**, 15 down at 354p. Other retailers, although usually firmer for choice, traded in disappointing fashion.

Leading miscellaneous recorded several good gains, but once again trading conditions were relatively slow. News of the proposed share split and subsequent one for two scrip issue prompted a rise of ¼ to £10⅝ in **Pilkington**. **Glaxo** settled a little firmer at £16⅛ and **BOC** were also noteworthy for a rise of 13 at 533p.

Elsewhere, weekend Press mention resulted in several outstanding movements. **Bowater** were prominent at 562p, up 27, while **Just Rubber** advanced 30 to 150p and **Amber Industrial** 25 to 533p. **Vinten**, reflecting the good recovery in the annual profits, advanced 30 to 217p. **Robertson Research**, also on the annual results, improved 8 to 193p. Dealings resumed in **Oakwood** at 525p compared with a suspension price of 205p following the bid on behalf of a concert group of 275p per ordinary share. It is the intention of the concert group to retain the listing for Oakwood and arrangements have been made to place at the offer price any ordinary shares for which acceptances are received in excess of 50.1 per cent. Speculative activity lifted **Eleco** 20 to 236p.

Newspapers were highlighted by **Associated**, which moved up 19 to 636p awaiting Thursday's preliminary figures. Elsewhere, week-end Press comment left its mark on **Yellowhammer**, 31 to the good at 282p, and **A. and C. Black**, 75 higher at 640p. **Wace Group**, in contrast, reacted 45 to 285p following the company's statement that there has been no significant change in current trading since the recent circular issued in connection with the acquisition of Merit House.

Gilbert House Investment were suspended at the outset of trading following the proposed acquisition of Singer and Friedlander and accompanying rights issue, details of which are expected at the end of the week.

Mersey Docks, an extremely volatile market recently, attracted fresh demand and settled 10 to the good at 126p following the disclosure that the company is in receipt of proposals from a private group for the redevelopment of the Princes Dock site. Elsewhere, a mention in the weekend Press stimulated interest in **Tiphook** which advanced 60 to 470p ahead of tomorrow's full-year figures.

Among the occasional movement in the Textile sector, **Robert H. Lowe** jumped 42 to 245p in response to favourable Press mention. Despite lower annual profits, **Textured Jersey** improved 9 to 181p. Tobaccos were featured by a rise of 19 to 642p in **Bats** following a broker's favourable circular.

A strong performance by crude oil prices, in belated response to the recent Opec agreement on production levels and reflecting growing unease over the situation in the Middle East triggered another general advance in the oil share market.

Shell were again the outstanding performer in the sector with the shares racing ahead to close $\frac{7}{32}$ higher at £14$\frac{11}{32}$ following strong support from BZW and Hoare Govett and a stock shortage.

As on Friday, strong demand for the underlying securities stimulated a lively turnover in traded options. Total contracts struck amounted to 51,833—40,147 calls and 11,686 puts. Current favourite British Gas remained to the fore with 10,266 calls struck—over 3,000 of which were done in the July 180 series. BP and British Telecom attracted 2,872 and 2,095 calls respectively, while Commercial Union contributed 3,002 calls, 1,265 in the July 390s.

FINANCIAL TIMES STOCK INDICES

	July 6	July 3	July 2	July 1	June 30	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.45	90.03	90.10	90.26	90.49	91.56	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.28	97.13	97.13	97.36	97.22	97.68	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1830.8	1818.5	1794.6	1772.1	1782.6	1347.8	1,830.8 (6/7)	1,320.2 (2/1)	1,830.8 (6/7/87)	49.4 (26/6/40)
Gold Mines	376.2	378.9	385.7	384.6	378.9	196.6	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.14	3.17	3.20	3.24	3.21	4.08				
Earnings Yld.%(full)	7.56	7.62	7.70	7.80	7.76	9.80				
P/E Ratio (net) (*)	16.32	16.19	16.01	15.77	15.87	12.43				
SEAQ Bargains (5 pm)	60,584	49,904	44,325	42,099	43,542	—				
Equity Turnover (£m)	—	1711.27	1675.95	1,172.34	1513.55	502.47				
Equity Bargains	—	56,554	52,663	48,130	53.200	29,547				
Shares Traded (ml)	—	748.7	609.5	643.6	.534.5	232.4				

S.E. ACTIVITY

Indices	July 3	July 2
Gilt Edged Bargains	103.0	111.7
Equity Bargains	366.4	341.2
Equity Value	3458.9	3387.5
5-Day Average		
Gilt Edged Bargains	110.5	112.2
Equity Bargains	353.8	352.1
Equity Value	4152.8	4149.0

♥ Opening 1826.4 | 10 a.m. 1832.3 | 11 a.m. 1836.1 | Noon 1832.6 | 1 p.m. 1833.4 | 2 p.m. 1835.6 | 3 p.m. 1838.1 | 4 p.m. 1833.5

Day's High 1838.6 Day's Low 1825.1. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=16.00.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (462)

BRITISH FUNDS (1), AMERICANS (2), CANADIANS (1), BANKS (10), BREWERS (6), BUILDINGS (26), CHEMICALS (16), STORES (20), ELECTRICALS (30), ENGINEERING (33), FOODS (6), HOTELS (5), INDUSTRIALS (67), INSURANCE (9), LEISURE (11), MOTORS (7), NEWSPAPERS (9), PAPER (24), PROPERTY (25), SHIPPING (3), SHOES (2), TEXTILES (7), TOBACCOS (1), TRUSTS (119), OILS (11), OVERSEAS TRADERS (6), PLANTATIONS (2), MINES (3), THIRD MARKET (2).

NEW LOWS (1)

NEWSPAPERS (1), Euromoney Publications.

Traditional Options

- First dealings June 22
- Last dealings July 3
- Last declaration Sept 24
- For Settlement Oct 5

For rate indications see end of London Share Service

Calls were arranged in Norfolk Capital, Willaire, Oliver Prospecting, Johnson and Firth Brown, Cambridge Instrument, Bulgin A, Pavion, First Charlotte, Edmonds Holdings, BSG Group, Lonrho, Bula Resources, Hampton Trust, 600 Group, Spong, Rotaprint, Control Securities, Polly Peck, Abaco, Widney, Benlox, Common Bros, British Dredging, Bryant Holdings, Eagle Trust, Blacks Leisure, Property Trust, John Kent, Wheway, Caradon, Yelverton, Amstrad, Trimoco, Pentland Industries, Astra Industrial, Wellman, Regentcrest, Arlen, Neepsend and Stormguard. Puts were arranged in Kalamazoo, B. Elliott, Copson and Eagle Trust.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	4,300	193	−2
Allied Lyons	2,000	449	+14
Amstrad	1,400	178	−1
Argyll Group	1,100	473	+1
Assoc. Brit. Foods	229	408	+1
BAT	2,000	642	+19
BET	325	292	—
BOC	1,000	533	+13
BPB Inds	433	807	+7
BPCC	643	317	−5½
BTR	2,500	325	—
Barclays	3,600	600	+10
Bass	523	£10¼	+$\frac{9}{32}$
Beecham	763	561	−3
Blue Circle	847	529	+2
Boots	2,800	304	+5
Brit. Airways	5,600	161	−2½
Brit. Aero	826	540	—
Brit. & Comm.	1,100	504	+1
British Gas	13,000	189	+2
Britoil	6,400	340	+12
BP	10,000	405	+4
Brit. Telecom	7,800	294½	+2½
Bunzl	1,000	265	−2
Burton	509	335	—
Cable & Wire	4,100	394	+1½
Cadbury Schwps	2,000	275	−1
Coats Viyella	262	347	+1
Comm. Union	1,800	378	+2
Cons. Gold	575	£10¼	+$\frac{1}{16}$
Cookson	111	756	+2
Courtaulds	808	498	+8
Dee Corpn	3,800	239	+4
Dixons Grp	119	383	+2
English China Clays	1,200	500	+9
Fisons	1,300	367	−4
Gen. Accident	147	£11$\frac{3}{16}$	+$\frac{1}{16}$
Gen. Elect	5,300	236	+1
Glaxo	634	£16⅛	+⅛
Globe Investment	645	183	+2
Granada	2,600	372	+1
Grand Met	1,430	576	+17
Gus "A"	88	£13⅝	—
Guardian R.E.	379	£10¼	+¼
GKN	737	359	−4
Guinness	2,000	372	+5
Hammerson	159	660	+3
Hanson Trust	6,100	176½	+½
Hawker Sidd	235	547	+3
Hillsdown Hldgs	4,500	319	+13
ICI	3,400	£14⅞	+$\frac{1}{16}$

Stock	Volume 000's	Closing price	Day's change
Jaguar	935	550	+10
Ladbroke	1,600	432½	+6½
Land Securities	1,200	553	−5
Legal & Gen.	1,500	379	+6
Lloyds Bank	3,800	383	+9
MEPC	946	551	−8
Marks & Spncr	2,600	255	−1
Midland Bank	845	677	+4
NatWest Bank	2,100	728	+4
Next	2,800	353	+8
Pearson	313	760	+8
P & O	356	747	+4
Pilkington Bros	1,600	£10⅝	+¼
Plessey	13,000	216	−12
Prudential	596	£11$\frac{3}{16}$	+¼
Racal	1,700	271	−2
Rank Org	5	790	−1
RHM	420	339	−3
Reckitt & Col	16	£11$\frac{11}{16}$	−$\frac{1}{16}$
Redland	860	539	+9
Reed Intl.	1,900	552	−2
Reuters	514	855	+4
RMC	177	494	+4
RTZ	1,100	£11⅛	+¼
Rolls-Royce	6,900	128	+5
Rowntree Mac	451	568	—
Ryl Bank Scotland	1,300	385	+2
Royal Insurance	834	523	+5
STC	3,400	330	+9½
Saatchi & Saatchi	472	680	+3
Sainsbury	919	295	+3
Scott & Newcastle	4,700	263½	+7
Sears	7,600	162¼	+1½
Sedgwick	733	315	+1
Shell Trans	5,950	£14$\frac{11}{32}$	+$\frac{7}{32}$
Smith & Nephew	1,400	184	+½
Standard Chart	796	783	−5
Storehouse	1,700	294	+6
Sun Alliance	428	£10⅛	—
TSB	3,200	90	+1
Tarmac	1,300	295	+1
Tesco	1,800	202xr	+5
Thorn EMI	1,600	783	+15
Trafalgar House	1,100	403	+1
T'house Forte	5,400	272	+10
Unigate	353	423	+3
Unilever	1,700	678	+19
United Biscuits	2,300	338	−1
Wellcome	382	465	−5
Whitbread "A"	1,400	380	+16
Woolworth	900	429	+1

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	108	0	4
Corporations, Dominion and Foreign Bonds	17	3	38
Industrials	733	335	493
Financial and Properties	285	83	231
Oils	43	18	53
Plantations	3	1	10
Mines	53	59	77
Others	86	29	159
Totals	1,328	528	1,065

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Mon July 6 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri July 3 Index No.	Thurs July 2 Index No.	Wed July 1 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	984.77	+0.9	6.94	2.77	18.06	10.75	976.43	964.14	954.60	741.75
2	Building Materials (29)	1280.96	+1.6	6.78	2.68	18.47	13.90	1260.74	1245.19	1235.24	825.53
3	Contracting, Construction (33)	1807.02	+1.3	6.64	2.65	20.23	19.38	1783.65	1755.40	1742.17	1270.93
4	Electricals (13)	2573.29	+1.2	5.36	3.09	25.01	36.50	2543.88	2487.89	2430.49	1910.32
5	Electronics (35)	2138.92	—	7.09	2.29	18.06	15.24	2138.41	2123.64	2113.88	1672.32
6	Mechanical Engineering (60)	524.82	+0.9	7.68	3.22	16.33	7.68	520.38	513.48	508.60	418.51
8	Metals and Metal Forming (7)	565.90	+0.4	6.92	2.78	17.41	6.80	563.80	551.21	541.16	371.67
9	Motors (14)	377.66	+0.9	8.09	2.82	14.37	3.42	374.14	370.62	367.49	319.33
10	Other Industrial Materials (21)	1610.65	+0.9	6.13	3.01	19.67	20.86	1597.07	1571.85	1543.11	1319.90
21	CONSUMER GROUP (185)	1357.43	+0.9	5.82	2.49	22.03	13.72	1345.24	1332.74	1312.36	938.67
22	Brewers and Distillers (22)	1245.82	+2.8	7.53	2.86	16.71	11.67	1212.07	1197.03	1183.89	955.40
25	Food Manufacturing (24)	1058.29	+1.3	6.64	2.89	19.55	14.27	1044.72	1041.16	1033.33	696.37
26	Food Retailing (16)	2593.90	+0.8	4.93	2.21	27.72	21.12	2573.29	2538.44	2495.09	1840.89
27	Health and Household Goods (10)	2529.84	—	3.99	1.58	29.33	14.67	2528.79	2518.99	2459.10	1609.27
29	Leisure (31)	1435.27	+1.4	5.51	2.99	23.88	16.21	1415.87	1391.68	1385.02	903.13
31	Packaging & Paper (15)	720.65	+0.7	5.80	2.39	21.78	7.88	715.43	709.42	703.39	490.36
32	Publishing & Printing (15)	4522.89	−0.1	4.66	3.02	27.63	58.32	4527.37	4454.86	4447.64	2631.41
34	Stores (36)	1115.15	+0.5	6.46	2.56	20.91	12.81	1109.54	1097.07	1069.67	884.67
35	Textiles (16)	823.56	+0.6	7.53	2.72	15.38	10.67	818.27	818.61	810.97	565.21
40	OTHER GROUPS (86)	1141.48	+0.9	7.50	3.06	16.59	10.43	1130.76	1111.60	1103.55	781.81
41	Agencies (16)	1692.72	+0.7	4.04	1.44	32.68	9.50	1680.92	1671.03	1661.00	0.0
42	Chemicals (22)	1419.92	+0.9	6.90	3.09	17.77	19.49	1407.50	1398.81	1383.32	923.42
43	Conglomerates (12)	1450.82	+0.3	7.09	3.15	16.17	18.93	1446.27	1436.20	1426.13	0.0
45	Shipping and Transport (11)	2384.84	+0.7	6.54	3.37	19.23	37.76	2369.19	2334.37	2298.33	1515.30
47	Telephone Networks (2)	1135.18	+0.8	8.86	3.56	15.06	1.09	1126.53	1082.72	1081.68	810.63
48	Miscellaneous (23)	1618.50	+2.2	8.51	2.75	14.09	18.29	1583.73	1566.16	1551.52	1088.67
49	INDUSTRIAL GROUP (483)	1216.63	+0.9	6.55	2.71	19.26	12.22	1205.73	1191.05	1177.04	858.46
51	Oil & Gas (17)	2411.68	+2.4	4.54	3.83	28.53	37.29	2354.29	2337.31	2290.27	1177.56
59	500 SHARE INDEX (500)	1318.12	+1.1	6.24	2.89	20.29	14.41	1303.26	1288.39	1271.56	887.50
61	FINANCIAL GROUP (118)	838.30	+1.0	—	3.51	—	12.88	830.38	820.58	820.84	620.70
62	Banks (8)	840.83	+1.0	16.48	4.46	8.02	15.49	832.44	820.33	822.54	656.62
65	Insurance (Life) (9)	1193.97	+1.7	—	3.53	—	20.71	1173.68	1154.98	1150.63	913.47
66	Insurance (Composite) (7)	630.87	+1.1	—	3.88	—	11.76	624.17	617.50	614.07	499.36
67	Insurance (Brokers) (9)	1297.09	+0.4	8.30	4.17	15.53	26.32	1291.54	1281.75	1257.73	1177.38
68	Merchant Banks (11)	426.07	+2.4	—	3.17	—	5.53	416.21	415.04	415.41	363.57
69	Property (46)	1319.86	+0.1	3.57	2.22	36.31	11.75	1318.80	1305.49	1318.90	803.29
70	Other Financial (28)	554.47	+0.9	6.00	2.91	20.96	5.89	549.37	543.63	540.40	349.05
71	Investment Trusts (92)	1110.52	+0.9	—	2.16	—	10.97	1100.40	1094.46	1088.74	768.09
81	Mining Finance (2)	534.11	+1.6	6.34	3.11	18.12	6.79	525.49	521.23	515.71	270.70
91	Overseas Traders (10)	1128.60	+0.4	8.02	4.17	14.79	23.27	1123.87	1118.97	1101.06	691.31
99	ALL-SHARE INDEX (722)	1187.67	+1.1	—	2.97	—	13.85	1174.69	1161.60	1149.15	809.04

	Index No.	Day's Change	Day's High	Day's Low	July 3	July 2	July 1	June 30	June 29	Year ago
FT-SE 100 SHARE INDEX ♦	2351.9	+23.8	2360.5	2338.6	2328.1	2297.4	2269.8	2284.1	2289.3	1631.8

FIXED INTEREST

	PRICE INDICES	Mon July 6	Day's change %	Fri July 3	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.17	+0.32	123.04	0.26	6.20
2	5-15 years	142.50	+0.70	141.60	0.08	7.31
3	Over 15 years	152.59	+0.96	151.13	—	6.85
4	Irredeemables	166.43	+0.71	165.25	—	7.27
5	All stocks	138.87	+0.64	138.12	0.12	6.90
	Index-Linked					
6	5 years	121.53	+0.15	121.34	—	1.57
7	Over 5 years	115.25	+0.30	114.91	—	1.71
8	All stocks	115.59	+0.28	115.26	—	1.69
9	Debentures & Loans	122.89	+0.28	122.55	—	6.13
10	Preference	89.27	+0.80	88.56	—	3.27

	AVERAGE GROSS REDEMPTION YIELDS		Mon July 6	Fri July 3	Year ago (approx.)
	British Government				
1	Low	5 years	8.25	8.34	7.76
2	Coupons	15 years	8.98	9.08	8.86
3		25 years	8.99	9.09	8.91
4	Medium	5 years	9.09	9.25	9.07
5	Coupons	15 years	9.21	9.33	9.13
6		25 years	9.22	9.33	9.13
7	High	5 years	9.26	9.39	9.24
8	Coupons	15 years	9.36	9.47	9.28
9		25 years	9.14	9.24	9.16
10	Irredeemables †		8.90	8.99	8.34
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	2.66	2.70	3.72
12	Inflat'n rate 5%	Over 5 yrs	3.81	3.83	3.45
13	Inflat'n rate 10%	5 yrs	2.35	2.39	2.54
14	Inflat'n rate 10%	Over 5 yrs	3.75	3.77	3.29
15	Debs &	5 years	10.15	10.18	9.73
16	Loans	15 years	10.14	10.18	10.10
17		25 years	10.14	10.18	10.17
18	Preference †		10.17	10.25	10.43

♦ Opening index 2338.6; 10 am 2349.5; 11 am 2354.9; Noon 2353.4; 1 pm 2355.5; 2 pm 2356.9; 3 pm 2359.4; 3.30 pm 2353.0; 4 pm 2352.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS July	CALLS Oct.	CALLS Jan.	PUTS July	PUTS Oct.	PUTS Jan.
Allied Lyons (*449)	390	63	75	85	1	4	9
	420	34	52	67	3	12	18
	460	7	28	43	19	28	35
Brit. Airways (*163)	140	24	30	38	1½	6	9
	160	7	19	26	5	11	19
[illegible]							

Option		CALLS Aug.	CALLS Nov.	CALLS Feb.	PUTS Aug.	PUTS Nov.	PUTS Feb.
Guinness (*372)	300	77	83	—	2	4	—
	330	50	62	72	4	8	14
	360	25	43	53	9	18	25
	390	11	28	42	27	33	40
Ladbroke	403	38	48	—	5	13	—
[illegible]							

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −
[illegible]							

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WORLD STOCK MARKETS

AUSTRIA

July 6	Price Sch%	+ or −
Creditanstalt	1913	−2
Goesser	2610	−70
Interunfall	11850	+50
Jungbunzlauer	7500	−150
Laenderbank	1820.00	......
Perlmooser	675	−18
Steyr-Daimler	116.00	......
Veitscher Mag	750	−20

BELGIUM/LUXEMBOURG

July 4	Price Frs.	+ or −
B.B.L.	3280	......
Banque Gen. Du L.	15300	......
Bank Int. A	14300	......
Bekaert B	12000	......
Ciment CBR	6030	+20
Cockerill	175	+5
Delhaize	3500	+30
EBES	5200	+10
Fabrique Nat	1320	−90
GB Inno BM	1170	......
GBL (Brux) L	3855	−65
Generale Bank	6600	+50
Gevaert	7900	......
Hoboken	7290	......
Intercom	4120	+90
Kredietbank	4690	−110
Pan Holdings	12650	+100
Petrofina	12450	+25
Royale Belge	6250	......
Soc Gen Belge	4120.00	+50
Sofina	15475	−325
Solvay	13650	−50
Stanwick Intl.	450	......
Tractebel	7300	+60
UCB	11000	−300
Wagons Lits	5600	......

GERMANY

July 6	Price Dm.	+ or −
AEG	310.20	−3.8
Allianz Vers.	1852	−13
BASF	302.90	−2.1
Bayer	335.50	−2
Bayer-Hypo	429	−12
Bayer-Verein	423	−6
BHF-Bank	436	−4
BMW	689.50	−3.5
Brown Boveri	309.50	−4.5
Commerzbank	274	−2
Cont'l Gummi	342.50	−1.5
Daimler-Benz	1113.50	−0.5
Degussa	500	−2
D'sche Babcock	234	......
Deutsche Bank	649	−6
Dresdner Bank	333	−3
Feldmuehle Nobel	318.50	+0.5
Henkel	556	−3.8
Hochtief	636	+1
Hoechst	303.20	−2.3
Hoesch Werke	117	−2.5
Holzmann (P)	413	−2
Horten	223	−6
Hussel	560	−24
Karstadt	468	−0.5
Kaufhof	474	+2
KHD	175	−2.9
Kloeckner	42	+1
Linde	730.50	−5.5
Lufthansa	184	−16
MAN	182.20	+0.7
Mannesmann	146	−1
Mercedes Hld.	965	−4.5
Metallgesell	332	−9
Moench Rueck	1975	+25
Nixdorf	825	−3
Porsche	1005	+100
Preussag	158	......
Rhein West Elect.	212.70	−0.8
Rosenthal	255	......
Schering	581	−6
Siemens	672.50	−23
Thyssen	123.10	−2.2
Varta	352	−8
Veba	317	−2.5
V.E.W.	161.50	−0.5
Verein-West	407	......
Volkswagen	433.20	−0.8

ITALY

July 6	Price Lire	+ or −
Banca Com'le	23495	+105
Bastogi-IRBS	640	......
CIR	5950	−20
Credito Italian	1930	......
Fiat	12750	−49
Generali Assicur	130900	−1600
Italcementi	100000	−1000
La Rinascente	1250	+5
Montedison	2265	−35
Olivetti	12300	−250

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA (Continued)

HONG KONG

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

DENMARK

FINLAND

FRANCE

NETHERLANDS

NORWAY

CANADA

TORONTO

Prices at 2.30pm July 6

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

RISES AND FALLS

Falls	572	856	893
Unchanged	425	444	386

TORONTO	July 6	July 3	July 2	July 1	1987 High	1987 Low
Metals & Minls	2,888.3*	2,834.8	2,838.8	(c)	2,943.6 (11/5/87)	1,988.2 (2/1/86)
Composite	3,827.5*	3,808.8	3,767.7	(c)	3,881.2 (8/4/87)	3,067.8 (2/1/86)
MONTREAL Portfolio	1,943.92*	1,932.97	1,912.81	(c)	1,935.9 (8/4/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day	Thursday	Stocks traded	Closing price	Change on day
Banctx WI	5,154,000	11½	+½	Union Carb	2,979,100	30⅛	+1¼
E-II Hold	4,215,500	15	(—)	Santa Fe	1,901,900	52⅛	−½
Ill Power	4,002,100	27	+¼	Inspiration	1,696,500	7⅞	+½
Caro Pwr	3,712,500	36⅛	−⅛	Cons Rail Cp	1,406,800	33	+½
ATT	3,476,200	29⅛	+¼	Phillips Pet	1,353,700	16⅞	+⅞

LONDON — Most Active Stocks

Monday, July 6, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Brit Gas	13.8m	188	+ 2	Rolls Royce	6.9m	128	+ 5
Plessey	13.0m	216	−12	Britoil	6.4m	348	+12
BP	10.9m	485	+ 4	Shell Trans.	5.9m	£14¹⁵⁄₁₆	+⁷⁄₁₆
Brit Telecom	7.8m	284½	+ 2½	Brit. Airways	5.6m	161	− 2½
Sears	7.6m	162¼	+ 1½	T'House Forte	5.4m	272	+18

TOKYO — Most Active Stocks

Monday, July 6, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Nippon Steel	29.12m	295	+ 1	Mitsubishi Electric	12.48m	563	uch
Matsushita Elec Ind.	28.75m	2,380	+50	Kurabo Ind.	11.79m	630	+21
Tokuyama Soda	18.36m	844	+11	Toyo Soda	8.40m	774	+ 9
Nippon Mining	17.77m	622	+ 7	Toshiba	7.44m	646	−11
Sanyo Electric	16.48m	578	− 2	Nippon Express	6.94m	1,130	−50

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

Tr.12½pc2003-05 £	127¹¹⁄₁₆	+ 1⁵⁄₃₂
All. Lyons	449	+14
Amersh. Intl	621	+17
Assoc. News	638	+19
BAT Inds.	642	+19
Bailey (C. H.)	36½	+ 8
Black (A.&C.)	640	+75
Blacks Leis.	40½	+ 5½
Bowater Inds.	562	+27
Bradstock	378	+25
Carclo Eng.	728	+25
Charter Cons.	455	+21
Costain	308	+10
Grand Met.	576	+17
Hillsd. Hldgs	319	+13
Kewill Sustems	133	+12
Klein. Benson	552	+14
Mercury Intl.	489xr	+39
N. Sea & Gen.	84	+10
Raine Inds.	160	+ 9
Scott. & News	263½	+07
Shell Trans.	£14¹⁵⁄₁₆	+ ⁷⁄₁₆
Taylor Woodrow	497	+14
Thorn EMI	783	+15
Tiphook	470	+60
Trusth. Forte	272	+10
Vinten	217	+30
Yellowham.	282	+31

FALLS:

Tilbury	355	−47
Wace Gr.	285	−45

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 45

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35	20⅛	AAR	s	.50	1.5	23	382	33¼	33	33	+⅛
37	21⅞	ADT		.92	2.9	18	87	32⅛	31¾	31¾	−¼
27¾	16¾	AFG	s	.16	.6	12	527	27	26⅝	26⅝	−⅝
22⅝	9⅝	AGS	s			18	720	17⅝	17¼	17⅜	+⅛
9⅜	4⅞	AM	Intl				735	7½	7⅛	7¼	−⅜
62⅞	47¼	AMR				12	3601	59⅛	57⅝	57½	−1¼
27½	24⅞	ANR	pf 2.67		10.		1	26⅛	26⅛	26⅛	−⅜
25	21½	ANR	pf 2.12		9.3		1	22¾	22¾	22¾	
11¾	8	ARX	s			12	145	10½	10⅜	10⅜	−⅛
73½	28¾	ASA		2e	3.5		616	58⅛	56½	57⅞	+⅜
20	9¾	AVX			1.6	90	196	18¼	17⅞	18	
67	41	AbtLab		1	1.6	25	2533	62⅜	61¼	61⅜	−⅛
26	25⅝	Abitibi	g				1151	25¾	25⅝	25⅝	
25⅝	25⅝	Abitib	wi				1	u25¾	25¾	25¾	+⅛
28¾	16⅝	AccoWs	.44		1.5	26	3138	28⅝	28½	28½	−⅛
15⅛	9	AcmeC	.40		3.1	9	795	13¼	13	13	−⅛
8⅜	6⅛	AcmeE	.32b		4.1	30	29	8	7⅞	7⅞	
23⅞	19	AdaEx	3.42e		15.		66	22¼	22	22⅛	+⅛
19½	11⅜	AdmMs	.24		1.5	12	148	16½	16½	16½	+¼
25⅛	12⅛	AdvSys	.82t		2.6	17	347	24¼	23½	23½	−⅜
24½	12⅞	AMD					4373	19¼	18⅝	18¾	−⅜
54¾	48½	AMD	pf	3	6.2		31	48¾	48½	48¾	
10¾	5¼	Adobe					51	9½	9¼	9⅜	−⅛
20½	13¾	Adob	pf 1.84		9.7		32	19	19	19	+⅛
21⅞	16⅜	Adob	pf 2.40		11.		214	21⅛	21	21	
15⅝	10⅜	Advest	.12a		.9	9	401	13⅛	12⅞	13	
[illegible]	[illegible]	[illegible]									

Continued on Page 45

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		X Y Z								
81¼	46⅝	Xerox	3	3.9	18	2784	77¾	76⅝	76¾	−¼
58¼	54¼	Xerox pf5.45		10.		4	54¾	54½	54½	−¼
28¾	21½	XTRA	.64	2.5		80	26⅛	25¾	26	+¼
27¼	15	Yorkin			17	148	26⅝	26¼	26¼	−¼
5½	2¼	Zapata				857	5¼	4⅞	5	−¼
42⅝	20¾	Zayre	.40	1.4	17	6798	28⅝	27¾	28⅛	+¼
29¾	18⅞	ZenithE				1144	27½	26⅞	27	
15	8	ZenLab				465	10½	10¼	10¼	
19½	12⅝	Zero	.36	2.1	17	93	16⅞	16¾	16¾	−¼
26¾	16¾	Zumin s			19	285	u27	26⅝	26⅝	+⅛
10⅝	8¼	Zweig n.65e		6.7		x213	9¾	9½	9¾	+¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 43

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Early rise fades in post-holiday hangover

WALL STREET

FAILING to hold on to modest early gains, Wall Street stock and bond prices were little changed yesterday in quiet post-holiday trading, *writes Roderick Oram in New York.*

Bond prices were up by as much as two-thirds of a point at the opening on the back of further appreciation of the dollar.

At the close the Dow Jones industrial average was down 7.17 at 2,429.53

It had been up more than eight points by late morning as the market tried to shake off memories of the 62-point plunge in the Dow a year ago when Wall Street returned to work after the Independence Day holiday weekend.

The Standard & Poor's 500 index remained slightly ahead through the session while the New York Stock Exchange composite index slipped, with the number of stocks advancing matching those declining.

Among the blue chips, AT&T edged up $⅛ to $29¼, American Express notched up $⅛ to $35⅛, Du Pont gained $⅝ to $122½, Eastman Kodak slipped $⅞ to $86, Exxon added $¾ to $93⅛, Philip Morris gave up $½ to $90⅞ and Sears Roebuck gained $⅜ to $51⅛.

One of the few strong Dow stocks was Texaco. It gained $2⅞ to $44⅝ and Pennzoil rose $3¼ to $79¾ amid persistent rumours that the two companies were preparing a settlement to their bitter court battle in which Pennzoil is claiming damages of more than $10bn.

Southland, up $7¼ to $75¾, was the most active New York Stock Exchange issue with more than 3.2m shares traded by early afternoon. The group, which runs the chain of 8,200 7-Eleven convenience stores, agreed to a $77 a share buyout from the Thompson family founders. The offer ends weeks of takeover speculation which drove Southland's share price up from around $45 a share.

A. H. Robins, down $⅞ to $27⅞, accepted a $2.6bn takeover offer from Rorer, down $⅝ to $45⅛, a competing drugs manufacturer. The offer for Robins, which is operating under Chapter 11 of the bankruptcy code, is a complex package including provisions for claiments who used its Dalkon shield contraceptive device. Claims from the users forced the company into bankruptcy.

Sterling soared $13⅝ to $40⅝ in heavy over-the-counter trading. The retail jeweller has agreed to be acquired by Ratners Group, a UK jeweller, for $41 a share.

Alliant Computer plunged $7 to $22¼ in the over-the-counter market. It said profits doubled in the second quarter but they are about 40 per cent below the $2.46m reported in the first quarter because of delays filling orders.

Seagate Technology dropped $2⅝ to $29⅝. Shearson Lehman Brothers lowered its forecasts on the fast-growing computer disk drive manufacturer.

Among other computer makers, IBM rose $½ to $164⅞, Unisys added $1 top $124⅜, Hewlett-Packard gained $¾ to $61¾, Prime edged up $⅛ to $26⅝ and Digital Equipment rose $⅝ to $167⅛.

Reichhold Chemicals added $¼ to $64¼. It said it was holding takeover talks with several parties. Last week it rejected a $52½ a share offer from Dainippon Ink of Japan.

Washington Post gained $6 to $223 on the American Stock Exchange. It will report an after-tax gain of about $110m from the sale of its Florida cellular telephone operations.

In the credit markets, bonds failed to hold onto their early morning gains of up to two-thirds of a point and by early afternoon the 8.75 per cent benchmark Treasury long bond was up only ⅛ of a point at 103 13/32 yielding 8.42 per cent.

The strength of the dollar overnight abroad which took it above Y149 intensified the debate over whether the Federal Reserve Board would ease its monetary policy when its open market committee meets this week. The Fed had tightened earlier this year to lend support to the dollar but the currency's recent strength could give the Fed room to reverse.

CANADA

TORONTO added to its early morning gains and headed higher at mid-session. Resource stocks led the broad advance outnumbering declines 361 to 311.

Miners moved upwards with Alcan adding C$1¼ at C$43¼ and Inco gaining C$⅝ at C$24½. Falconbridge rose C$¾ to C$24. Zinc and lead producer Cominco was also active, rising C$½ to C$18⅝.

SOUTH AFRICA

THE WEAK bullion price pushed Johannesburg gold shares slightly lower in moderate trading, but other sectors were mixed.

Among golds, Southvaal lost R2.50 to R203.50 and Buffelsfontein was down the same amount at R70.50 but Randfontein was unchanged at R420.

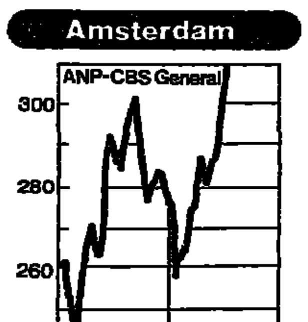
Diamond share De Beers rose 15 cents to R42.40 in advance of the release of diamond sales figures for the first half. Impala Platinum was steady at R45.50.

In mixed mining financials, Anglo American eased 50 cents to R81.50 and Gencor added 50 cents to R53.50. Industrials were also mixed.

Laura Raun examines the reaction to a publishing drama

Amsterdam soars on bid battle

Amsterdam



AFTER MONTHS of languishing in the doldrums the Amsterdam stock exchange is climbing to record highs on a fiery takeover battle, dollar stability and a steady oil price.

The ANP-CBS General stock index spurted to another peak yesterday, gaining 2.9 points to close at 313.4 in heavy volume of Fl 1.1bn ($531m). That was the second consecutive record high and the third in the past week although turnover was below the 1987 record of Fl 2bn on June 23.

Investors had their first chance yesterday to react to the news that Wolters Samson, the Dutch publishing company, would raise its friendly bid for Kluwer, its larger rival, in an effort to top a hostile offer from publisher Elsevier.

The market seemed to show a preference for Elsevier by marking up its share price by Fl 2.30 to Fl 56.30 in line with Kluwer, which was 19.50 higher at Fl 418.50, and marking down Wolters Samsom by Fl 2.70 to Fl 127.30. As a result, Wolters Samsom apparently will have to sweeten its bid by at least Fl 25 per share to top Elsevier.

By reviving demand from domestic as well as foreign investors, the vicious battle engulfing the publishing industry has boosted stock prices across the board and fuelled trading volume.

Small domestic investors have been selling off their publishing stocks to take profits from big advances in recent weeks. Large institutions are still in the wings waiting to tender their shares at the last minute to the highest bidder.

Foreign investors are returning to Amsterdam after forsaking it along with West Germany for more attractive bourses such as New York, London and Tokyo. Enriched with profits from those livelier markets, foreign investors are now buying into the high-quality, internationally-oriented Dutch publishers and other blue chip companies.

The levelling off in the guilder, together with exporters' shrinking profit margins, led the Central Plan Bureau last week to forecast a larger trade surplus for 1987 and 1988 than previously expected.

A more optimistic trade outlook, despite slowing world trade, dovetails with predictions of robust corporate earnings growth from Pierson, Heldring & Pierson, the Dutch merchant bank. Pierson sees corporate profits rising 6.5 per cent this year and surging 11.6 per cent next year.

The fireworks are far from over in the publishing sector and fund managers and securities analysts believe the rally could continue if the dollar stays above current levels around Fl 2, boosting the prospects of many Dutch companies.

"We are reasonably optimistic," says Mr Fokko Tuin, chief of securities analysis for Kempen, a leading Amsterdam brokerage. "We're watching the dollar. If there is another drop... then you can forget Amsterdam."

Amsterdam's renewed optimism also arises from the prospect of stable oil prices following the recent Opec meeting. The ANP-CBS General index is heavily weighted toward Royal Dutch/Shell, which has been advancing strongly on Opec's more coherent policy and which was partly credited with yesterday's surge to new highs.

EUROPE

Siemens sell-off pushes Frankfurt downwards

EUROPEAN BOURSES were generally mixed and quiet yesterday. Amsterdam and Frankfurt were the exceptions with a record high in the former and a gloomy outlook depressing the latter.

Frankfurt ended easier across the board as Siemens' repeated forecasts of lower profits led to a sell-off. Foreign investors dumped the issue which tumbled DM 23 to DM 672.80. Concern over Siemens offset the stronger dollar and nudged other stocks lower.

In cars, BMW dropped DM 3.50 to DM 689.50, Daimler ended 50 pfg lower at DM 1,113.50 and VW eased 80 pfg to DM 413.20. Car stocks generally lost their gains of the three-week rally with only Porsche adding DM 6 to DM 1,005.

In the financial sector, Deutsche Bank fell DM 6 to DM 649 and Dresdner Bank eased DM 3 to DM 333.

Amsterdam rallied over a broad front to close at a record high on a firmer dollar and renewed buying interest. The weighted ANP-CBS index jumped to a peak of 313.4, up 2.9 from Friday's previous high.

Blue chips led the market from the opening but last-minute profit-taking pulled them off their day's highs. Gains were supported by well-spread international buying.

KLM closed up Fl 4.80 at Fl 286.00 on good results for June with increases in traffic, load factor and capacity. The rally by-passed major Dutch banks and insurers.

Zurich ended a quiet session with shares narrowly mixed. Foreign demand was lower on the firmer dollar but helped Swiss investors' confidence in export-oriented stocks.

The favourite of the day was Swissair which ended up SFr 35 at SFr 1,420 after reporting a seven per cent rise in traffic volume for May.

Interest in chemical company Sandoz continued with its bearer adding SFr 100 to SFr 12,800. Ciba Geigy bearer firmed SFr 10 to close at SFr 3,710.

Paris prices maintained their firmer tendency on optimism of lower interest rates and due to a technical recovery after lower prices last week.

Retail issues picked up to end higher overall. Darty was 5.2 per cent up at FFr 389.50, BHV rose FFr 20 to FFr 500.50 and Printemps rose FFr 16 to FFr 716.

Brussels held onto the bulk of Friday's gains but shares closed with a lower bias after noticeable profit-taking. Despite the nervous market, the Brussels stock index set another record at 4,971.84. The index rose 20.94

Milan saw continued thin trading and lower prices across the board. The bearish mood nudged the Milan Stock Index down 1.48 per cent to 932.

LONDON

EQUITIES in London chalked up another substantial gain yesterday as a firm performance by the pound and the UK bond market fuelled the optimism triggered by last week's signs of renewed buying of blue chip equities.

The FT-SE 100 index jumped 23.8 to 2,351.9, slipping back from a mid-session peak of 2,360.5 after a sluggish start by Wall Street brought shares off the top. The FT Ordinary was up 12.3 at 1,830.8.

Bonds closed at the day's best with net gains of 1¼. Details, **Page 42**

ASIA

Nikkei falls back below 24,000 on profit-taking

TOKYO

BROAD-BASED selling pulled the Nikkei average below 24,000 in Tokyo yesterday for the first time in about a month, *writes Shigeo Nishiwaki of Jiji Press.*

In very thin trading, large-capitals, financials and domestic demand-linked stocks were badly hit in a continuation of Saturday's profit-taking but high-technology issues firmed.

The Nikkei dropped 287.66 from Saturday's close to 23,870.86, below 24,000 for the first time since May 21. Turnover dropped steeply from Friday's 1.10bn to 510m shares. Declines led advances by 691 to 222, with 115 issues unchanged.

Brokers said the market barometer plummeted on small-lot selling, mainly by individuals, while many investors moved to the sidelines daunted by the uncertain market outlook.

Investors are concerned about signs of change in the three major external factors behind the recent bull market: the strong yen, lower interest rates and sagging crude oil prices. The dollar climbed above Y149 at one stage in Tokyo currency trading yesterday.

Although many investors believe the market will be led by the stocks of companies expected to post strong earnings, helped by economic recovery, they have yet to show confidence in high-tech stocks, chemicals and other isssues which stand to benefit from an improvement in the economy, traders said.

Nippon Steel topped the active stock list, with 29.12m shares traded, adding Y1 to Y297 after moving within a narrow range of Y290 to Y302. Other large-capitals weakened almost across the board, with Mitsubishi Heavy Industries and Nippon Kokan easing Y2 to Y563 and Y259.

Tokyo Electric Power fell Y20 to Y6,000 after tumbling to Y5,940 at one stage, while Tokyo Gas ended unchanged at Y1,000 after dropping to Y995.

Property stocks fell sharply: Mitsui Real Estate slid Y80 to Y2,200 and Tokyo Land Y34 to Y866.

Financials were hit by the likelihood of higher interest rates and city banks' plans to increase capital from August onwards. Sumitomo Bank plunged Y100 to Y3,500, Yasuda Trust and Banking Y60 to Y2,270 and Nomura Securities Y110 to Y4,280.

In the high-tech sector, Matsushita Electric Industrial accounted for the bulk of trading with a volume of 20.75m shares, the day's second largest, strengthening Y50 to Y2,380. NEC firmed Y40 to Y2,170 and Kenwood Y12 to Y872. Toshiba dropped Y11 to Y646 under the continued effects of government action over its subsidiary's illegal exports of machine tools to the Soviet Union.

In the chemical sector, Tokuyama Soda firmed Y11 to Y844 on expectations of a stronger earnings report and Toyo Soda Y9 to Y774. Both were among the 10 most active stocks.

Bonds moved widely due to growing anxiety about the yen's further weakening, with the yield on the benchmark 5.1 per cent government bond due in June 1996 fluctuating around 4 per cent.

The yield rose from last Saturday's 4.075 per cent finish to 4.110 per cent in early trading on the yen's steep fall in block trading on the Tokyo stock exchange. It later sagged to 3.980 per cent on a push by a big securities company but closed at 4.050 per cent.

***THE SEOUL* stock market reached another record yesterday, with the composite index rising 4.98 to close at 427.15 as investors' new-found confidence continued to show results.**

Banks and electronic stocks were in the forefront, with many prices hitting their daily ceilings in active turnover worth 72.4bn won. Samsung Electronics gained 210 won to 33,510, while Hanil Bank was up 70 at 1,890.

SINGAPORE

SUSTAINED foreign and local buying pushed the Straits Times industrial index to a record of 1,316.15, up 28.87, in Singapore, following the upward trend of recent days. Blue chips headed the list of top gains in active trading.

Rosy expectations for corporate results and confidence in the performance of Singapore's economy in the second and third quarters helped fuel the continuing buying interest.

Big blue chip gains were Fraser and Neave, up S$1 to S$11.90, DBS up 30 cents to S$14.70, Singapore Land up 40 cents to S$8.00 and National Iron up 35 cents at S$7.05.

Hotels, properties and commodities fared well, ending the day firmer. Elsewhere, Malayan Breweries added 40 cents to S$9.60, Intraco gained 20 cents to S$4.48 and Singapore Press was up 20 cents to S$13.10.

HONG KONG

MODEST gains in utility and finance shares helped lift the Hang Seng index 11.84 to close at 3,220.68. Trading in properties and commercial shares was directionless with industrials slipping towards the close. Turnover fell to HK$1.18bn from HK$1.65bn on Friday.

Late profit-taking focused mainly on the Cheung Kong with rumours of a rights issue eroding the stock's early gains to end unchanged at HK$12.60.

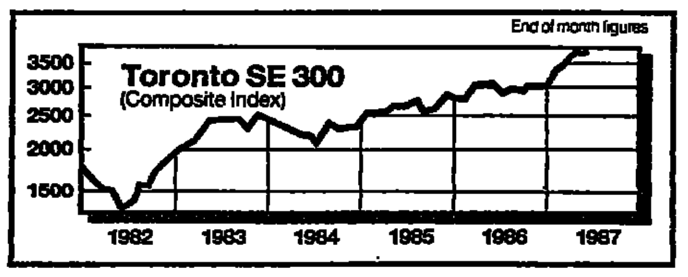
AUSTRALIA

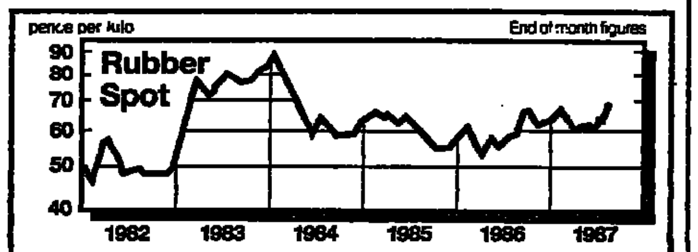
A RISE in local interest rates, together with an easier Australian dollar and bullion price, took the Sydney share price slightly lower on balance after a firm start.

The All Ordinaries index finished down 0.3 at 1,833.4 amid market nerves over Saturday's elections.

Industrials were mixed and the weaker trend was led by mining and resources stocks.

KEY MARKET MONITORS





STOCK MARKET INDICES

	July 6	Prev	Year ago
NEW YORK			
DJ Industrials	2,432.56*	2,436.70	1,901.0
DJ Transport	1,023.05*	1,030.43	777.75
DJ Utilities	204.51*	205.90	200.76
S&P Comp.	305.68*	305.63	(c)
LONDON FT			
Ord	1,830.8	1,818.5	1,347.8
SE 100	2,351.9	2,328.1	1,649.40
A All-share	1,187.67	1,174.69	809.04
A 500	1,318.12	1,303.26	887.50
Gold mines	376.2	378.9	196.6
A Long gilt	9.14	9.24	10.53
World Act. Ind	129.56	130.29	93.91
(June 30)			
TOKYO			
Nikkei	23,870.86	24,465.48	17,597.7
Tokyo SE	1,991.49	2,050.52	1,355.32
AUSTRALIA			
All Ord.	1,833.4	1,833.7	1,142.7
Metals & Mins.	1,113.7	1,121.8	497.8
AUSTRIA			
Credit Aktien	184.41	185.38	243.44
BELGIAN SE	4,971.80	4,950.90	3,733.32
CANADA			
Toronto			
Met & Mins.	2,996.3*	2,934.0	2,085.0
Composite	3,827.5*	3,808.0	3,091.5
Montreal			
Portfolio	1,943.92*	1,932.97	1,559.34
DENMARK SE			
SE	205.91	209.24	218.18
FRANCE			
CAC Gen	420.90	415.30	372.0
Ind. Tendance	107.60	106.60	89.27
WEST GERMANY			
FAZ-Aktien	623.14	625.16	617.74
Commerzbank	1,890.00	1,892.60	1,867.4
HONG KONG Hang Seng	3,220.68	3,208.84	1,756.76
ITALY Banca Comm.	675.49	685.65	710.65
NETHERLANDS ANP CBS			
Gen	313.40	310.50	292.6
Ind	265.10	264.50	289.8
NORWAY Oslo SE	—	433.13	357.41
SINGAPORE Straits Times	1,316.15	1,287.28	735.73
SOUTH AFRICA JSE			
Golds	—	2,081.0	1,218.0
Industrials	—	1,928.0	1,183.3
SPAIN Madrid SE	248.20	243.39	169.58
SWEDEN J & P	2,755.40	2,751.80	2,504.89
SWITZERLAND Swiss Bank Ind	620.70	618.50	560.1

COMMODITIES (London)

	July 6	Prev
Silver (spot fixing)	447.15p	448.9p
Copper (cash)	£1,053.00	£1,039.50
Coffee (September)	£1,246.00	£1,262.00
Oil (Brent Blend)	$19.475	$19.3750

GOLD ($/oz)

	July 6	Prev
London	$443.00	$444.25
Zürich	$443.75	$444.30
Paris (fixing)	$442.97	$443.05
Luxembourg	$443.55	$443.75
New York (August)	$450.30	$448.80

CURRENCIES (London)

	US DOLLAR July 6	US DOLLAR Previous	STERLING July 6	STERLING Previous
$	–	–	1.6195	1.6100
DM	1.8400	1.8400	2.975	2.9625
Yen	149.10	148.80	241.5	239.50
FFr	6.1275	6.1275	9.9025	9.865
SFr	1.5325	1.5300	2.4825	2.4625
Fl	2.0715	2.0720	3.356	3.335
Lira	1,333.5	1,332.0	2,160.5	2,144.5
BFr	38.15	38.15	61.80	61.40
C$	1.3285	1.3270	2.1465	2.1370

INTEREST RATES

	July 6	Prev
Euro-currencies (3-month offered rate)		
£	9¼	9⅝
SFr	3 13/16	3⅝
DM	3⅞	3⅝
FFr	8 3/16	8 3/16
FT London Interbank fixing (offered rate)		
3-month US$	7	7
6-month US$	7⅛	7 3/16
US Fed Funds	6¾*	6⅝
US 3-month CDs	6.60*	6.528
US 3-month T-bills	5.66*	5.63

FINANCIAL FUTURES

July 6	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
(Sept)	92-18	93-02	92-10	92-18
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	94.14	94.24	94.10	94.14
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	–	–	–	–
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.85	92.89	92.83	92.87
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	123-15	123-16	122-24	122-06

US BONDS

Treasury

	July 6 Price	July 6 Yield	Prev Price	Prev Yield
7⅜ 1989	100	7.375	100	7.37
7 1994	99 [illegible]/32	8.129	99 [illegible]/32	8.14
8½ 1997	101 [illegible]/32	8.291	101 [illegible]/32	8.30
8¾ 2017	103 [illegible]/32	8.42	103 [illegible]/32	8.53

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index July 6	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	July 6 Price	July 6 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	93.27	6.40	93.25	6.40
SCBT South Central 10⅞ Jan 1993	103.0	10.16	103.0	10.16
Phibro Sal 8 April 1996	92.61	9.25	92.17	9.15
TRW 8⅝ March 1996	97.34	9.20	95.46	9.20
Arco 9⅞ March 2016	104.16	9.45	103.14	9.55
General Motors 8⅜ April 2016	86.51	9.50	85.078	9.55
Citicorp 9⅜ March 2016	94.11	10.00	92.753	10.04

Source: Salomon Brothers

** Latest available figures*